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ABSTRACT

This teaching guide is intended for use in implementing the second level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). Designed for use with advanced secondary students, beginning postsecondary students, and adults without previous knowledge of the area, the second level of PACE consists of 18 units emphasizing the trying out of entrepreneurial ideas and the assessment of how they relate to personal needs. Following an overview, suggestions for teaching, and some materials for use in the classroom, the guide provides detailed teaching outlines for each unit. The left side of each outline page lists the unit's objectives with the corresponding headings (margin questions) from the unit. Teaching suggestions for these topics are listed on the right side of the page, and space is available for teachers to add their own ideas. Transparency masters, handouts, models of activities and assessment responses, and selected curriculum resources are included in the guide. A comprehensive project ("Going into Business") is provided to integrate all the unit topics. The project can be integrated into the course as the students move through the units, or it can be the culminating experience at the end of the program. (The units on level 2 of PACE provide an opportunity to learn about and try out entrepreneurship ideas so that students can make a preliminary assessment of how these ideas relate to personal needs. These units contain detailed explanations of small business principles, suggestions on how to find information and use techniques, and encouragement for creating a future business.) (KC)

Research & Development Series No. 240 B

ED228497

PACE (Revised)

Instructor Guide

Level 2

Developed by

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and
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The National Center for Research in Vocational Education
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1960 Kenny Road
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TABLE OF CONTENTS

FOREWORD v

INTRODUCTION TO PACE (Revised) 1

HOW TO USE PACE 5

OBJECTIVES OF PACE (Revised) 7

GOING-INTO-BUSINESS PROJECT 13

TEACHING OUTLINES 35
- UNIT 1: UNDERSTANDING THE NATURE OF SMALL BUSINESS 37
- UNIT 2: DETERMINING YOUR POTENTIAL AS AN ENTREPRENEUR 39
- UNIT 3: DEVELOPING THE BUSINESS PLAN 45
- UNIT 4: OBTAINING TECHNICAL ASSISTANCE 46
- UNIT 5: CHOOSING THE TYPE OF OWNERSHIP 49
- UNIT 6: PLANNING FOR MARKETING STRATEGY 51
- UNIT 7: LOCATING THE BUSINESS 54
- UNIT 8: FINANCING THE BUSINESS 56
- UNIT 9: DEALING WITH LEGAL ISSUES 58
- UNIT 10: COMPLYING WITH GOVERNMENT REGULATIONS 60
- UNIT 11: MANAGING THE BUSINESS 61
- UNIT 12: MANAGING HUMAN RESOURCES 63
- UNIT 13: PROMOTING THE BUSINESS 65
- UNIT 14: MANAGING SALES EFFORTS 69
- UNIT 15: KEEPING THE BUSINESS RECORDS 71
- UNIT 16: MANAGING THE FINANCES 72
- UNIT 17: MANAGING CUSTOMER CREDIT AND COLLECTIONS 74
- UNIT 18: PROTECTING THE BUSINESS 76

TRANSPARENCY MASTERS 79

HANDOUTS 163

MODEL ACTIVITY RESPONSES 187

MODEL ASSESSMENT RESPONSES 203

SELECTED CURRICULUM RESOURCES 255

FOREWORD

Traditionally vocational education has been geared primarily to preparing students for employment—to preparing employees. Yet there is another career path available: students can learn how to set up and manage their own businesses. They can become entrepreneurs. Those adults who have already become entrepreneurs can learn the skills necessary to make their businesses thrive.

Vocational education, by its very nature, is well suited to developing entrepreneurs. It is important that entrepreneurship education be developed and incorporated as a distinct but integral part of all vocational education program areas. A Program for Acquiring Entrepreneurship (PACE) represents a way to initiate further action in this direction.

This comprehensive entrepreneurship curriculum was originally developed by the National Center for Research in Vocational Education in 1977. PACE has been available for several years in its original form. Testing and feedback from the field, as well as need for updating, were the reasons for this revised edition of PACE. The revision of this program is testimony to the dynamic nature of the body of knowledge about entrepreneurship.

The strength behind this entrepreneurship program is the interest and involvement of the following educators and entrepreneurs, the revision authors:

Author	PACE Unit
Dr. James Burrow University of Northern Iowa	Planning the Marketing Strategy Promoting the Business
Mr. Gary Bumgarner Mountain Empire Community College	Complying with Government Regulations Locating the Business
Mr. Richard Clodfelter Virginia Polytechnic Institute	Managing the Business Protecting the Business
Dr. Rod Davis Ball State University	Financing the Business Managing Human Resources
Dr. Vivien K. Ely Virginia Commonwealth University	Developing the Business Plan Obtaining Technical Assistance
Ms. Lee Hakel Organizational Research and Development	Managing Human Resources
Dr. Donald Kohns University of North Dakota	Managing Customer Credit and Collections Managing the Finances

Author	PACE Unit
Dr. Carolyn G. Litchfield Memphis State University	Dealing with Legal Issues Keeping the Business Records
Ms. Patty Russell Patty Russell Marketing Media Company	Determining Your Potential as an Entrepreneur Understanding the Nature of Small Business
Mr. Dan R. Spillman The Ohio State University	Choosing the Type of Ownership Managing Sales Efforts

Special recognition is extended to M. Catherine Ashmore, Research Specialist, and Sandra G. Pritz, Program Associate, who directed this effort. Appreciation is also expressed to Linda A. Pfister, Associate Director, and to the many National Center staff members and consultants who assisted on the project.

We appreciate the extensive efforts of all involved in revising PACE to reflect the most comprehensive approach available for entrepreneurship education. The possibilities for use of this curriculum at three different levels of experience add further challenge for leadership among vocational educators at the secondary, postsecondary, and adult levels.

Robert E. Taylor
Executive Director
The National Center for Research in
Vocational Education

INTRODUCTION TO PACE (Revised)

A Program for Acquiring Competence in Entrepreneurship (PACE) is a modularized competency-based program of instruction. PACE evolved out of the need for new materials to assist in the development of entrepreneurs and the need for a flexible and adaptable program geared to a variety of student requirements, educational settings, and stages of individual career development. Several premises influenced the development of PACE:

1. Entrepreneurship education is basically lacking in our schools. The entrepreneurship education that does occur is infused into existing courses and programs in the vocational disciplines.

2. Generally, educators prepare individuals to be employees, not employers. There is a need for a program to help educate students to be employers.

3. Career education has done little to acquaint individuals with entrepreneurship as a career option.

4. The content of an instructional program must be based on research findings.

5. Certain learnings are generic and basic to entrepreneurship regardless of the type of business. There are also some specialized tasks required by each type of business.

6. Training to be an entrepreneur includes preparation in three major areas: (1) awareness of what it takes to become an entrepreneur, (2) knowledge of what is needed to establish a business, and (3) application of entrepreneurship principles to organizing and managing a business.

7. Established and available instructional materials from governmental and reputable commercial publishers provide the major resource for day-to-day classroom instruction.

8. An instructional program is useful only if it is flexible enough to be used in a variety of learning settings.

9. Instructional materials must be adaptable to a variety of teaching/learning styles.

10. A viable instructional program includes materials adequate for instructor/student planning, and also resources for student learning.

11. Learning is best accomplished when it is a process of progression from the simple to the complex and when it meets present student needs.

Each level of PACE has a set of instructional units. The units deal with a competency or a set of competencies. Each unit is learner centered with opportunities for instructor enrichment and facilitation. All units are self-contained and are independent of each other. They are, however, sequenced in a logical progression of topics for a person considering entrepreneurship. All units follow the same format and include the following:

- Objectives
- Preparation
- Overview
- Content
- Activities
- Assessment
- Notes and sources

PACE is available at three levels of learning. Each level progresses from simple to complex concepts. The three levels of learning pattern is based on the belief that student achievement is greater when learning is sequenced from basic, fundamental concepts to more advanced, complex skills in an organized fashion and when it meets the present needs of the students. The three levels of PACE are described in the following chart.

Three Levels of PACE

Level 1 An introduction or orientation to entrepreneurship topics; allows students to become familiar with the concepts involved and to develop an awareness of entrepreneurship as a career option.

Target audience: secondary level

Possible settings: vocational programs
career education courses

Length of units: approximately one hour of class time

Reading level: 7th grade

Activities: short-term application activities

Level 2 An opportunity to learn about and try out entrepreneurship ideas enough to make a preliminary assessment of how they relate to personal needs. Knowledge oriented; detailed explanation of the principles. Planning oriented; how to find information and use techniques. Venture oriented; encouragement for dreaming about or for creating a possible future business.

Target audience: advanced secondary level
beginning postsecondary level
adults without previous knowledge about the area

Possible settings: vocational programs
adult education classes
all occupationally oriented courses

Length of units: approximately two hours of class time

Reading level: 9th grade

Activities: applications using existing businesses as sources of information

Level 3 Emphasis on policies and strategies for managing your own selected business; skill building; planning in detail and preparing for implementation. Assumes previous knowledge and experience.

Target audience: postsecondary level
advanced secondary level
adults wanting training or retraining for application

Possible settings: all occupationally oriented courses
continuing education

Length of units: approximately three hours of class time

Reading level: 10th grade

Activities: actual application of a business plan

HOW TO USE PACE

Although PACE is designed in individualized competency-based units, the depth of your students' experience with the program will depend to a large extent on the facilitation and enrichment you can provide. The materials provide for flexibility in implementation—only you can decide how to use them to best meet the needs of your students, individually and as a group.

Since PACE is available at three levels (described previously), you may have chosen one or more levels for your classroom. If you have individuals in your class who are not ready for the level(s) you have or who could go further, you will want to provide supplementary assistance. Additional resources listed in the *Instructor Guide* and in the *Resource Guide* may be helpful.

It would be a good idea at the outset to go over the *Resource Guide's* directions on HOW TO USE PACE with your students. Here are some supplementary notes for you, based on the materials provided in this *Instructor Guide*:

- Use the objectives as a pretest. If a student feels able to meet the objectives before using the unit, ask him or her to read the assessment questions and do a self-assessment. Afterward, if the student feels prepared, go ahead with the assessment.

- Duplicate the glossary from the *Resource Guide* to use as a handout, if you wish.

- Use the teaching outlines provided in this *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists the objectives with the corresponding headings (margin questions) from the unit. Teaching suggestions for these topics are listed on the right side wherever the authors had a suggestion to include. Space is also available for you to add your own ideas. Try to increase student involvement in as many ways as possible to foster an interactive learning process.

- Use the transparency masters to help lead class discussions as desired.

- When your students are ready to do the activities, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship. Help your students find out if their responses to objective types of activities are correct. Model activity responses for these have been provided wherever possible to assist you.

- Assess your students on the unit content when they indicate that they are ready. You may choose written or verbal assessments according to the situation. Model responses to the assessment questions are provided for each unit. While these are suggested responses, others may be equally valid. Give your students guidance on whether they should go on to another unit.

GOING INTO BUSINESS

A comprehensive project is provided to integrate all the topical units, and you may wish to involve students in the all-units project as they move along through the units. This enhances the continuity of the program. Another alternative is to let this project be the culminating experience at the end of the program, which tends to reinforce retention of all the topical areas and to encourage multi-topic application of the skills learned.

The last portion of the *Instructors' Guide* provides a list of selected curriculum resources which are available to use as a supplement to PACE (Revised).

Your implementation of PACE in your classroom is an important step in increasing the available options for your students as they plan their futures. If they choose to pursue entrepreneurship, they will do so with a heightened awareness of what it entails, increased knowledge and skills to guide their efforts, and a solid basis for managing their businesses.

OBJECTIVES OF PACE (Revised)

Unit 1 - Understanding the Nature of Small Business

1. Describe the characteristics of a small business by type.
2. Identify potential small business opportunities and determine one you would select to follow.
3. Describe the process of starting a small business.
4. Describe how supply and demand affect a small business.
5. Discuss how competition affects small business.
6. Analyze what major factors will affect the success or failure of a selected type of business.

Unit 2 - Determining Your Potential as an Entrepreneur

1. List your entrepreneurial skills.
2. Determine what motives you may have for starting your own business.
3. Evaluate the different types of business opportunities that relate to your own entrepreneurial skills.
4. Identify the best type of business for your motives and skills.

Unit 3 - Developing the Business Plan

1. Recognize how a business plan contributes to entrepreneurship.
2. Review the questions that should be answered in a business plan.

Unit 4 - Obtaining Technical Assistance

1. Identify the technical assistance needed by entrepreneurs.
2. Determine what technical assistance you need.

Unit 5 - Choosing the Type of Ownership

1. Explain the basic principles of a sole proprietorship, a partnership, a corporation, a cooperative, and a franchise.
2. Identify the factors that influence the choice of a type of ownership.
3. Investigate sources of assistance in choosing a type of ownership.

Unit 6 - Planning the Market Strategy

1. Explain the "market-oriented" approach to planning.
2. List the controllable factors in each element of the marketing mix.
3. Justify the use of market information and market research in planning.
4. Develop a procedure for identifying target markets and developing a marketing mix.
5. Outline a marketing plan.

Unit 7 - Locating the Business

1. Identify factors that should be considered when selecting sites for specific types of businesses (retail, manufacturing, wholesale, service).
2. Identify resources available to help entrepreneurs make site selections.
3. Identify factors that should be considered when analyzing a geographic area as a possible location for a business.
4. Determine the steps involved in selecting a business site.
5. Discuss the factors considered in property appraisal.

Unit 8 - Financing the Business

1. Explain how to determine the different types of costs that must be considered when starting a new business.
2. Compare the advantages and disadvantages of the various sources of financing for a new business.
3. Describe the sources of loans that may be available for financing a new business.
4. Describe the information that must be provided in a loan application package.
5. Explain the criteria used by lending institutions to evaluate loan applicants.

Unit 9 - Dealing with Legal Issues

1. Describe the major legal issues faced by entrepreneurs.
2. Determine when and how to obtain assistance with legal issues.
3. Identify major types of contracts used by entrepreneurs.
4. Identify the major rights and responsibilities of lessees and lessors.
5. Identify special contracts used by entrepreneurs (mortgage vs. deeds of trust, credit sales contract, and long-term sales contract).

Unit 10 - Complying with Government Regulations

1. Identify areas of government regulation that should be considered in a business plan.
2. Compile a list of appropriate governmental agencies concerned with regulations, licenses, and permits.

Unit 11 - Managing the Business

1. Use the decision-making process to make business decisions.
2. Identify steps in the planning process.
3. Identify organizational tools for a small business.
4. Identify control procedures that can be used by a business.
5. Identify time management techniques.

Unit 12 - Managing Human Resources

1. Identify the steps involved in hiring employees.
2. Describe the procedures for developing a training program.
3. Explain various styles of management.
4. Describe various techniques that may be used to supervise and motivate employees.
5. Describe various methods for communicating with employees.
6. Discuss various alternatives for evaluating employee performance.
7. Identify the steps in developing a comprehensive employee compensation package.

Unit 13 - Promoting the Business

1. Develop promotional skills.
2. Describe advertising and sales promotion techniques.
3. Identify cost factors in the selection of alternative promotional methods.
4. Identify sources of promotional assistance and information.
5. Identify the objectives of a public relations program.

Unit 14 - Managing Sales Efforts

1. List sources of product/service information.
2. Describe customer buying motives.
3. List and discuss the basic types of customers to which your business will appeal.
4. Demonstrate the process of selling.
5. Discuss sources for finding new customers.

Unit 15 - Keeping the Business Records

1. Identify the sources of assistance in recordkeeping.
2. Identify the types of data that can be provided by recordkeeping.
3. Describe the uses and types of journals and ledgers.
4. Describe various types of business records.

Unit 16 - Managing the Finances

1. Identify various components of balance sheet reports.
2. Identify terms/concepts commonly used on small business balance sheets.
3. Identify various components of profit and loss statements.
4. Analyze uses of various depreciation schedules.
5. Describe how to prepare a cash forecast.

Unit 17 - Managing Customer Credit and Collections

1. Identify techniques of setting credit limits for credit customers.
2. Explain the types of information to be included in a credit record for an individual customer.
3. Describe how an average accounts receivable collection period can be calculated.
4. Describe how an average accounts receivable collection period can be used to identify credit problems in a business.
5. Describe the format that could be used to design an accounts receivable aging system.
6. Identify and discuss effective internal credit collection procedures.
7. Identify and discuss effective external credit collection procedures.
8. Identify and discuss common attitudinal problems managers have about credit collections.

Unit 18 - Protecting the Business

1. Identify various protective measures that can be used to minimize shoplifting.
2. Identify procedures that can be used to reduce the amount of losses from theft.
3. Identify procedures that can be used to reduce the amount of bad check losses.
4. Identify how to secure business premises against burglary and robbery.
5. Identify proper procedures for guarding cash.
6. Identify the different types of business insurance policies available.

GOING-INTO-BUSINESS PROJECT

Note to Instructor:

This section contains a project designed to encourage the student to apply the competencies gained at this level. It could be used by individual students or groups as a final entrepreneurship evaluation.

LEVEL 2 PROJECT:
STARTING A NEW BUSINESS

Think of yourself as a "New Venture Creator" in this project. It is designed to provide you with guidelines for being as creative as you can in proposing a new business venture. This project is based on what you have learned to do in Level 2 of the PACE modules.

Before you begin, let's talk about the kinds of entrepreneur you might choose to be. Each of these types is needed to help our nation grow. Let's look at the possibilities. Most people agree that entrepreneurs tend to be independent operators, though they sometimes work in teams. They take initiative to make a profit on business opportunities, but there is room for the following differences in the type of entrepreneur you choose to be.

1. Self-employed individuals—Those who perform all the work and keep all the profit. This includes everything from family-run stores, agents, repairpersons, accountants, to physicians and lawyers. It can be full-time or part-time because no one else is involved.

2. Team builders—Those who start a business and expand as fast as possible in order to be able to hire other employees. Most of the time, these additional employees have needed expertise that the owner does not have.

3. Inventors—Those with particular inventive abilities who design a better product and then create companies to develop, produce, and sell the item. High-technology companies of this type are a new trend.

4. Pattern multipliers—Those who look for an idea someone else has already created and then create their own business based on following another's model. Franchise operation or chain stores are a form of this approach.

5. Economy of scale exploiters—Those who benefit from large volume sales by offering discount prices and operating with very low overhead.

6. Acquirers—Those who take over a business started by another and use their own ideas to make it successful. This often happens when there is a financial problem in the current operation. Fresh management ideas may save the business.

7. Buy-sell artists—Those who buy a company for the purpose of improving it before selling it for a profit.

8. Speculators—Those who purchase a commodity and resell it for a profit. Real estate, art, antiques, and crops are typical speculator items.

9. Internal entrepreneurs—Those who create new ideas and make them into a successful project within an existing business. Although they have neither the profit nor the personal financial risk of their own business, they need to use the same methods, of operation.

LEVEL 2 PROJECT (Continued)

No matter which type of entrepreneur you choose to be for this project, there are five key ingredients you must have before you can start your business. Consider these ingredients in deciding what you will do for this new venture creation project.

1. Do you have technical know-how in the field—or can you get help from someone who does?
2. Do you have a clear idea of what product or service the business will sell?
3. Do you have personal contacts who could help you get started in this business?
4. Do you have financial resources to start this business? Pulling your resources together is considered an important characteristic of a real entrepreneur.
5. Do you have potential customers interested in your business idea?

Now let's talk about procedures for this project.

1. The completed project should be presented in written form in a notebook. Diagrams, forms, and illustrations are encouraged to back up the description of your proposed "New Venture."
2. Projects may be created by individuals or by groups. If the group process is used, it is important that all group members participate in the design of all parts of this venture.
3. Each section should be addressed separately using the eighteen PACE themes. Follow the outline of the activities provided. Do not run the sections together, as you may wish to add to previously completed sections.
4. Remember that this project will be judged by its creativity and your innovativeness of approach to filling a need in a way that will make a profit. In order to keep the project realistic, it should be based on a real need in your community and a possible solution in that locality. It may include a store, but is not limited to such an operation. However, you should use some imagination and creativity in what might be instead of getting too bogged down by what exists or what you could financially afford. Use this project to dream a bit!

Section 1—Your Small Business Idea

Before You Begin

- Look around for a needed product or service in your community. Talk to friends, relatives, and potential customers. Think about possibilities in wholesale, retail, service, or manufacturing businesses.
- List all your ideas and analyze each before making a choice for the project. List the personal advantages and disadvantages of each.

Project Content

- For the new venture of your choice, complete each of the following:
  - Describe the characteristics of your small business type.
  - Identify potential small business opportunities and determine one you would select to own.
  - Describe the process of starting your small business.
  - Describe how supply and demand will affect your small business.
  - Discuss how competition will affect your small business.
  - Analyze what major factors will affect the success or failure of your business.

Section 2—Your Potential as an Entrepreneur

Before You Begin

- List your personality characteristics that suggest you might have success as an entrepreneur.
- List the technical knowledge and skills that would help you in your selected business.
- Discuss these lists with teachers, friends, family, or your employer to be sure you have judged your competencies correctly.

Project Content

- Describe your entrepreneurial skills.
- Describe your motives for wanting to start this business.
- Evaluate types of business opportunities as they relate to your entrepreneurial skills.
- Describe the best type of business for your motives and skills.
- Show how this selected business will make use of your personality, motives, and skills.

Section 3—Your Business Plan

Before You Begin

- Discuss your business idea with someone in the community who can give your business plan a helpful review.
- Look around your community to check on potential locations and competition for your idea.

Project Content

- Develop a preliminary plan that includes—
  - A complete description of the goods or services you will offer.
  - The market segment you plan to reach.
  - The competition.
  - The location of your business.
  - Who will manage your business and how.
  - Personnel needs.
  - Approximate start-up costs such as
    - Capital for equipment
    - Space
    - Renovations
    - Inventory
    - Working capital
    - Reserve capital
  - Annual projected income statement.
  - Cash flow projections.

Section 4—Your Needs for Assistance

Before You Begin

- Talk to your teacher about the types of help you will need.
- Call or visit sources of assistance to determine the availability and cost of such help.

Project Content

- Your needs for a lawyer
- Your needs for an accountant
- Assistance the Small Business Administration can provide
- Trade associations you should know about
- Suppliers you will deal with
- Other community assistance you will need

Section 5—Choosing the Type of Ownership

Before You Begin

- Consider your options for ownership of the business.
- Discuss the advantages and disadvantages of your options with class members, your instructor, and a local lawyer (if available).

Project Content

- Your ownership plan
- Advantages of your choice of ownership
- Disadvantages of your choice of ownership
- Process to follow for establishing your type of ownership

Section 6—Planning Your Marketing Strategy

Before You Begin

- Review the functions of marketing to be sure you understand all that a marketing strategy should include.
- Analyze the target market for competitive businesses similar to yours.
- If possible, attend a trade show, exhibit, or conference that will allow you to examine merchandise and evaluate your potential target market.

Project Content

- Definition of the primary target market
- Explanation of the "four P's" of marketing
  - Product
  - Price
  - Place
  - Promotion
- Inclusion of a written marketing plan

Section 7—Locating the Business

Before You Begin

- List the critical needs your business will have in choosing a location.
- Inspect the area for possible locations that will fill your needs.
- Use the decision-making process to pick the best location.
- Discuss your choices with your instructor or a commercial real estate agent in your community.

Project Content

- A complete description of the best location
- A diagram of the area
- Anticipated size of population in the area
- Characteristics of population in the area
- Competitive businesses in this area—(number of businesses, appearance of success, price lines)
- Other businesses in the area
- Economic condition of the area
- Reasons why this location is desirable
- Problems with this location
- Traffic patterns
- Parking
- Lighting (if night customer traffic is desired)

Section 8—Financing Your Business

Before You Begin

- Talk to business owners in your community about the amount of money it will take to start your business. Remember to think about the type of business, its size and location, the inventory required, and the state of the economy.
- Find out if suppliers and equipment manufacturers would help you finance your start-up costs.
- Make a list of all your start-up costs.
- Identify possible sources of financing.

Project Content

- Describe the business's start-up costs.
- Identify advantages and disadvantages of different funding sources.
- Explain the information to be put in the loan application package.
- Justify the choice made for obtaining funding for this business.

Section 9—Dealing with Legal Issues

Before You Begin

- Discuss the legal problems of a related small business with actual business owners in the community.
- List all the instances when you would probably need to consult a lawyer for advice.
- Discuss your list with someone in the community who has experience with these items.

Project Content

- Your tax requirements
- Mortgage information (if property is to be purchased)
- Lease information on property (if not purchased)
- Lease information on equipment
- Forms of sales contracts
- Licenses needed (if any)
- Warranties or guarantees
- Other contracts

Section 10—Complying with Government Regulations

Before You Begin

- Visit your local government offices to find out what laws, licenses, and regulations apply to your particular type of business. Be sure to check on special requirements for your type of business.

Project Content

- Federal regulations you must consider
- State and local regulations you must consider
- Licenses and permits required
- Business taxes
- Employee withholding
- Your sources of assistance for complying with government regulations

Section 11—Managing Your Small Business

Before You Begin

- Before you can decide how you will manage your business, you should talk to a manager of a similar business. Ask about organization of personnel, planning techniques, and controls used to check on progress.
- Study time management techniques as they apply to your business.
- Identify possible business problems that must be addressed in your planning.

Project Content

- Describe your long-term plans.
- Describe your short-term plans (three to six months).
- Describe the items you will use to plan for your business.
- Describe how you will organize the business.
- Describe what time management techniques you will use.

Before You Begin

- Think about the jobs that will need to be done to make your business run smoothly. List the major tasks that are involved.
- Ask yourself whether you have the time and ability to do them all.
- If not, think about the types of employees you would like to have to do the tasks that you will not be doing.
- Think about where you would find these employees.
- Discuss your identified employee needs with your instructor or fellow students to see if they agree.

Project Content

- Job descriptions for all staff members
- Plans for recruiting employees
- Plans for your training program
- Methods to be used for employee motivation
- Plans for communicating with employees
- Plans for evaluating employees
- Descriptions of employee benefits

Section 13—Your Promotional Plan

Before You Begin

- List all the media available in your area.
- Ask about the costs of this media or make a rough estimate.
- Look at the promotional activities of similar businesses.
- Brainstorm a list of possible promotional activities that would be particularly suitable for your type of business.

Project Content

- Describe the information potential customers need.
- Explain your promotional plan for the first six months.
- Develop a promotional budget for this plan.
- Develop a public relations plan.
- Explain why you feel this promotional plan will reach the appropriate audience.

Section 14—Managing Sales Efforts

Before You Begin

- List the products or services you will sell.
- Determine whether or not your list includes all of the items your customers might need.
- Think about the questions your customers will ask, and study your products and services to be sure of the answers.
- Discuss the advantages of your products or services with your instructor or fellow students.

Project Content

- Describe your product(s) and their outstanding features.
- Describe the benefits of your product or product line to your customers.
- Describe your company's services.
- Outline a training program you would use to prepare employees to sell for you.
- Compare your products/services with major competitors.

Section 15—Keeping the Business Records

Before You Begin

- Make a list of all the records you will need to keep track of your business. Be sure to think about sales, purchases, inventory, employee records, payroll, bank accounts, potential customers, accounts receivable, and accounts payable.
- Visit a computer store to see what electronic systems are available to handle your records.
- Share your list with a business teacher and ask for blank forms that you could adapt for your business.

Project Content

- Samples of your record keeping formats for—
  - — Inventory and purchasing
  - — Sales records
  - — Cash records
  - — Credit
  - — Employees
  - — Fixtures and property
  - — Bookkeeping
- Procedures to keep these records up-to-date

Section 16—Managing Your Finances

Before You Begin

- Review the materials prepared in Unit 3 and Unit 8 related to planning and finances of the business.
- Obtain copies of financial reports from businesses in your community. Analyze them to find the most appropriate format for your business.
- Review your financial analysis plans with the school business manager or a community business person.

Project Content

- Prepare the format for your balance sheet.
- Prepare the format for your profit and loss statement.
- Pick a fictitious period and complete your forms as you would like them to look if your business were in operation.
- Analyze this "possible" business using financial statement ratios.
- Prepare a cash forecast for this period of business operation.

Section 17—Managing Customer Credit and Collection

Before You Begin

- Find out about the credit policies of similar businesses in your community.
- Decide whether their credit ideas are good or bad for that type of business.

Project Content

- Your credit policy
- Your credit application form
- A sample of your credit record forms
- Description of your accounts receivable aging system
- Your system for deciding when you have credit problems
- System for invoicing customers
- Sample credit follow-up letters

Section 18—Protecting Your Business

Before You Begin

- Think about the cost of items involved in starting your business, such as merchandise for sale, equipment, supplies, and even the building itself.
- List the major risks you take in running this business—what could cost you the most?
- Talk to the owner of a small business to find out what precautions should be taken to avoid loss.

Project Content

- Describe your plans to prevent loss from
  - Shoplifting
  - Employee theft
  - Vendor theft
  - Bad checks
  - Robbery

TEACHING OUTLINES

Note to Instructor:

This section outlines the module content. It contains the module objectives, basic content detail, and teaching suggestions. Each outline can be used as a brief overview to introduce the individualized modules, or as a basis for further development of an entire lesson.

UNDERSTANDING THE NATURE OF SMALL BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. DEFINE A "SMALL BUSINESS."	
What is small business?	The student is being introduced casually to the pure definition that rests in the economic structure. Discuss the different kinds of businesses, showing that they are individual enterprises. An excellent source by Malcolm P. McNair is *The Case Method at the Harvard Business School*. New York: McGraw-Hill Book Company, Inc., 1954.
What part did small business play in our history?	Ask if any student has a relative who is an entrepreneur. Have the student tell what contributions that individual has made to neighborhood, city, society . . . share local "success stories."
What is the place of small business in today's society?	Ask students what they've heard about the bad side of small business. Ask for a "good news" story of contribution and accomplishment. In entrepreneurship, the entrepreneur is faced many times with ethical trade-offs. Not all entrepreneurs will always make the good, long-term trade-off decision. Jeffery Timmons' book, *New Venture Creation*, has an excellent chapter on personal ethics and the entrepreneur starting on page 323. (See source reference.)
2. IDENTIFY THE DIFFERENT TYPES OF SMALL BUSINESSES.	
How does the SBA define small business?	Use the chalkboard or an overhead to picture the flow of goods from manufacturing through the levels of wholesaling and retailing required to bring goods to the marketplace. Show that while the "middlemen" are often invisible, they are a major part of the American economic system.
3. DESCRIBE HOW BUSINESSES CONTRIBUTE TO THE AMERICAN WAY OF LIFE.	
How does small business contribute to the American way of life?	Have students list ways small businesses affect everything we do—from satisfying our basic needs for food, shelter, and clothing to satisfying our higher needs such as education and entertainment.

Objectives	Teaching Suggestions
What is this unit about?	
4. DESCRIBE WHAT ROLE SMALL BUSINESSES PLAY IN THE AMERICAN ECONOMIC SYSTEM.	
How does small business contribute to the economy?	Help the student understand that the health of small business is not only essential to maintaining a healthy economy, but is also the source of continued growth in the total amount of wealth available.
How important is the profit motive in the economic system?	Discuss profit openly; show that profit in and of itself is healthy and justified. Point out that profit is wrong only when it is illegally or unethically gained.
How does the theory of supply and demand affect profit?	Help the student understand that the needs or wants of the marketplace (demand) dictate what goods and services, what quantities and quality, and what prices will be available from the suppliers. Ask for examples of suppliers who missed the cue on the level of demand for a product (e.g., Ford's Edsel).
5. IDENTIFY THE MAJOR FACTORS CONTRIBUTING TO THE SUCCESS OF A SMALL BUSINESS.	
What are the major factors contributing to the success of small business?	Invite a local entrepreneur to share his or her experience in selecting the right product or service, obtaining the necessary capital, planning the venture, and allowing for personal strengths and weaknesses by utilizing outside experts when called for.
What are the traits most often exhibited by successful entrepreneurs?	Here the student is being offered the best observations to date on what might be required to become a successful entrepreneur. It should be stressed, however, that these are by no means hard and fast criteria for judging an individual as "not qualified."
How rigid are the elements of successful business?	
(ENTIRE UNIT)	For this unit, it is suggested that the teacher contact the local daily newspaper for bulk copies of a Sunday edition. Have the class use these papers to clip articles, check the classifieds for want ads, analyze available jobs, and check on businesses that are currently for sale. Also have the students save ads from these newspapers for use with other PACE units.

UNDERSTANDING THE NATURE OF SMALL BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. DESCRIBE THE CHARACTERISTICS OF A SMALL BUSINESS BY TYPE.	
What basic information about small business gives a background for this unit?	Contact your local chamber of commerce, Better Business Bureau, local retailers and manufacturers to get samples of products and services that were not available in your community three years ago.
How might an entrepreneur use the available small business statistics?	Ask a small business manufacturer and/or wholesaler to talk to the class about starting and managing a successful business.
Are adequate data available?	
What is the Standard Industrial Classification (SIC) code?	
What areas of business will be discussed?	Hold *open* class discussions on areas of business individuals might select. Facilitate discussions on creative ideas for possible business ventures.
In which industries are most small businesses found?	
What are the traditional small business industries?	
Are small manufacturing companies as efficient as bigger firms?	Encourage the class members to form "entrepreneurial teams" in developing various ideas.
What products are small manufacturers likely to produce?	
Do small businesses keep up with big businesses in purchasing the best equipment and facilities?	
Does manufacturing have a built-in handicap for small businesses?	

Objectives	Teaching Suggestions
What is this unit about?	
How might a small business entrepreneur beat the odds and be successful in a manufacturing enterprise?	Encourage class members to challenge each other's ideas, to question statistics, to talk to entrepreneurs.
What are the types of small businesses in the wholesale industry?	Foster the "active" state of mind that stays alert to opportunities in every environment.
What are the sales and employee characteristics of small business in wholesaling?	
Should an entrepreneur consider going into the wholesale trade?	Stress the need for thorough knowledge of an industry to improve and expand ideas and problem solving.
What are the characteristics of small businesses in the retail area?	
Do wages paid to retail employees play a significant part in the ability of small businesses to compete?	
What types of small retail businesses are experiencing the greatest failure rates?	
Why might some small retail businesses be failing at faster than normal rates?	
What are the characteristics of a small business in the service area?	
What characteristics of the marketplace make service a natural choice for small businesses?	
What types of service businesses are growing fastest?	
Why is the service industry expected to produce the most economic growth in the eighties?	
Are women and minorities participating in ownership of small service businesses?	

Objectives	Teaching Suggestions
What is this unit about?	
What areas of the service industry reported increased business failure rates in 1981?	
What is the single biggest cause of small business failure?	
2. IDENTIFY POTENTIAL SMALL BUSINESS OPPORTUNITIES AND DETERMINE ONE YOU WOULD SELECT TO FOLLOW.	
How can you find small business opportunities for yourself?	
Does buying a license or buying someone else's idea reduce the amount of management by the entrepreneur?	
How can you activate or improve the entrepreneurial skill of developing new business ideas?	
Is there an entrepreneurial "state of mind"?	
How do you decide if the idea is worth any more time and effort?	
3. DESCRIBE THE PROCESS OF STARTING A SMALL BUSINESS.	Invite a local entrepreneur who recently opened a business to speak to the group.
What is the process for starting a new business?	
What are the special problems of small businesses that start up haphazardly?	
What steps would you take to formally start a new business?	
4. DESCRIBE HOW SUPPLY AND DEMAND AFFECT A SMALL BUSINESS.	
What causes supply and demand levels to vary?	

Objectives	Teaching Suggestions
What is this unit about?	
5. DISCUSS HOW COMPETITION AFFECTS SMALL BUSINESS.	
How do capitalism and competition affect small business?	
6. ANALYZE WHAT MAJOR FACTORS WILL AFFECT THE SUCCESS OR FAILURE OF A SELECTED TYPE OF BUSINESS.	
What are the major factors that affect the success or failure of a small business?	

DETERMINING YOUR POTENTIAL AN AN ENTREPRENEUR

Objectives	Teaching Suggestions
What is this unit about?	
1. LIST YOUR ENTREPRENEURIAL SKILLS.	
What skills do entrepreneurs need?	The transparency can be used to generate a class discussion on the wide range of skills needed by entrepreneurs. This should be used as a mechanism to get the class members thinking about their own potential as entrepreneurs. Any additions they can make to the list should be discussed and added if the class agrees. Encourage the students to complete the self-evaluation handout sheets regarding their own personal qualifications in the various areas.
What do entrepreneurs do?	
What are the characteristics of successful entrepreneurs?	
2. DETERMINE WHAT MOTIVES YOU MAY HAVE FOR STARTING YOUR OWN BUSINESS.	
Why begin a business?	The students should be encouraged to consider this area very personally and to recognize how many of the motives overlap and might change during the course of starting or running a business.
What are some of the problems of being your own boss?	
3. EVALUATE THE DIFFERENT TYPES OF BUSINESS OPPORTUNITIES THAT RELATE TO YOUR OWN ENTREPRENEURIAL SKILLS.	
What decisions must be made to get a business started?	The student should gain an understanding of the different kinds of decisions that go into making the final decision of becoming an entrepreneur. It is not a simple case of "I want to open a dress shop" except at the very beginning and very end of the process. In between, decisions must be made regarding the legal entity and the method that will be used to get into

Objectives	Teaching Suggestions
What is this unit about?	
	the business as well as the operational questions of where to locate, what style and quality of dresses to sell, etc.
Are you ready to become an entrepreneur?	
4. IDENTIFY THE BEST TYPE OF BUSINESS FOR YOUR MOTIVES AND SKILLS.	Transparency No. 2 (table 3 in the unit), can be used to generate class thinking and discussion of the legal form of the business as well as the industry and product selected for the business. Some interesting relationships can be pointed out in the transparency. Notice, for example, that in the manufacturing industry (out of $1,610,000,000 in receipts) $1,000,591,000 are generated by corporations—about 99% of the receipts. Since small businesses tend to be sole proprietorships and partnerships, and since big businesses tend to be corporations, it can be correctly deduced that manufacturing is dominated by big business. On the other hand, if you compare the receipts of corporations versus the sum of receipts of proprietorships and partnerships in the service industry, you see that corporations generate $175,589,000 and the proprietorships and partnerships generate $105,579,000 (or 38% of the total receipts). The service industry is unique for small business in that not only do they dominate the number of firms and share of sales, but they also account for 62% of the receipts. Obviously, many small business entrepreneurs in the service industry are using the corporation as a legal entity. The importance of the discussions in this area should revolve around students' ideas for their own industry and legal entity choices, not toward learning the numbers in Table 3.
Group Activity	Ask a lawyer to address the class on the different legal forms for small companies.
Individual Activity	Distribute Handout No. 1.

DEVELOPING THE BUSINESS PLAN

Objectives	Teaching Suggestions
What is this unit about?	
1. RECOGNIZE HOW A BUSINESS PLAN CONTRIBUTES TO ENTREPRENEURSHIP.	After students have read the unit, invite a panel of speakers including a banker, a young entrepreneur, and an SBA representative to share their thoughts on how a business plan helps the entrepreneur. Impress on the panel members the importance of their elaborating on the five points in the text.
How does a business plan help entrepreneurs?	
2. REVIEW THE QUESTIONS THAT SHOULD BE ANSWERED IN A BUSINESS PLAN.	Play a game by placing category titles on the chalkboard and distributing questions on 3 x 5 cards at random to class members. Divide into teams and keep score on the accuracy of players in taping a question card under the right category. Distribute Handout No. 1 to help students check accuracy after game is completed.
What information should the business plan include?	
Individual Activity	Ask the students to read the sample business plan in the module. Distribute the handout "Questions to be Answered in a Business Plan." Discuss the assignment with class members for reinforcement after they have completed the activity.

OBTAINING TECHNICAL ASSISTANCE

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY THE TECHNICAL ASSISTANCE NEEDED BY ENTREPRENEURS.	Help students recognize that entrepreneurs should expect to seek technical assistance in areas where their skills are weak.
Why do entrepreneurs need outside help?	Discuss rapid technological changes. Talk about how minicomputers are changing the way small business owners keep records, plan advertising, or make marketing plans. Ask students for other examples of change from their own experience.
How can technical assistance be organized?	List the four major categories of business operation on the chalkboard and explain them, showing how technical assistance will be classified into these major areas in the "Technical Assistance File" they will begin developing in this unit.
What manufacturing and production assistance is needed?	Remind students that small manufacturers and producers have unique needs for technical assistance. This is a good place to tie in the skills and experience acquired in all vocational program areas to entrepreneurship possibilities. Use Transparency No. 1 to illustrate the types of technical assistance needed by entrepreneurs in this category.
What marketing assistance is needed?	Talk about the functions of marketing in all the businesses chosen by the students. Help them to see the central focus of marketing in entrepreneurship. Use Transparency No. 2 to illustrate the types of technical assistance needed in this category by most entrepreneurs.
What general organization and management help is needed?	Discuss the critical need for good management and the inclination of small entrepreneurs to overlook its importance. Use Transparency No. 3 to illustrate the types of technical assistance needed in this category by most entrepreneurs.

Objectives	Teaching Suggestions
What is this unit about?	
What financial management help is needed?	Emphasize the critical nature of financial management and the frequent need of entrepreneurs for outside advice and assistance. Use Transparency No. 4 to illustrate the types of technical assistance needed in this category by most entrepreneurs.
2. DETERMINE WHAT TECHNICAL ASSISTANCE YOU NEED	
What technical assistance do you need?	
Individual Activities	Provide the students with Handout No. 1, "Assessment of Management Skill and Experience in (*name of company*)." Review the instructions for determining strengths and weaknesses for themselves and for key assistants or partners in the business. Provide red pencils for them to use in highlighting weaknesses. If the students have difficulty assessing their strengths and weaknesses from Handout No. 1, distribute copies of Handout No. 1A, "What Technical Assistance Do You Need?" If the students have difficulty in making their assessments with this handout, ask them to use Handout No. 1A as a beginning step and then to complete Handout No. 1. The file cards should be headed with the technical assistance terms used on Handout No. 1. Distribute Handout No. 2, "Setting Up a Technical Assistance File." Guide the students in setting up divider cards for the four management categories: • Manufacturing and Production (only if appropriate to their business) • Marketing Management • General Organization and Management • Financial Management Within each major section, they should prepare a separate card for each subcategory in which a weakness was identified. Remind them that the card file will be completed at Level 3 when they locate sources of assistance for each management weakness.

Objectives	Teaching Suggestions
What is this unit about?	
Group Activity	The discussion of strengths and weaknesses with class members will help students recognize that others have strengths and weaknesses and that they should feel free to discuss them and to seek assistance when needed.

CHOOSING THE TYPE OF OWNERSHIP

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN THE BASIC PRINCIPLES OF A SOLE PROPRIETORSHIP, A PARTNERSHIP, A CORPORATION, A COOPERATIVE, AND A FRANCHISE.	
What is a sole proprietorship?	Schedule various interviews for the class with individuals involved in each of the five types of ownership. Ask the entrepreneurs to share information on the advantages and disadvantages of their type of business from their experiences.
What is a partnership?	
What is a corporation?	
What are cooperatives?	
What is a franchise?	
2. IDENTIFY THE FACTORS THAT INFLUENCE THE CHOICE OF A TYPE OF OWNERSHIP.	
What about sole proprietorships?	
Are there any advantages to being a sole proprietor?	
Why do entrepreneurs choose partners?	
Are there different types of partners?	
What is a general partner?	
What are the types of limited partners?	
What are Articles of Copartnership?	

Objectives	Teaching Suggestions
What is this unit about?	
Why choose the corporate form of ownership?	
Are there different types of stock?	
Are there other means for corporations to raise capital?	
What are two types of corporations?	
What does it mean to be incorporated?	
What about franchising?	
What services are available to franchise owners?	
Are there different types of franchising?	
What forms do franchises take?	
Are there disadvantages to franchising?	
What are the basic principles of cooperatives?	
What factors influence the form of ownership?	
3. INVESTIGATE SOURCES OF ASSISTANCE IN CHOOSING A TYPE OF OWNERSHIP.	
Are sources available to aid you in choosing a type of ownership?	

PLANNING THE MARKETING STRATEGY

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN THE "MARKET-ORIENTED" APPROACH TO PLANNING.	Discuss the statement "Marketing adds to the cost of a product, but does not add to the value of the product."
What is the marketing concept?	List each of the elements of the marketing concept. Have students describe what would happen to a business that did not implement each of the elements.
What is the history of the marketing concept?	
What types of marketing information should be obtained?	
What is a target market?	List the following products: houses, "fast foods," books, and movies. Have each student describe a specific target market for each product.
Why are target markets important?	Discuss the case problem and cite examples of businesses that have succeeded or failed because of their target markets.
2. LIST THE CONTROLLABLE FACTORS IN EACH ELEMENT OF THE MARKETING MIX.	
What are the major types of markets?	
What are consumer buying motives?	Have students describe how they purchase several different products. See if they can identify important buying motives in each case.
What does research reveal about consumer buying behavior?	
How are industrial consumers affected by buying motives?	
How are consumer markets changing?	Have students collect newspaper articles describing changes in the consumer markets. Discuss the impact of changes on selected businesses.

Objectives	Teaching Suggestions
What is this unit about?	
3. JUSTIFY THE USE OF MARKET INFORMATION AND MARKET RESEARCH IN PLANNING.	
What is market information analysis?	
How can market information be analyzed?	
What are data sources for market information analysis?	A brief library exercise can be developed in which students must identify specific information. This will familiarize them with several useful resources.
What are market research procedures?	
What are methods for collecting research data?	Small research projects could be developed and completed or studies could be reviewed.
What are the "Four P's" of marketing?	Illustrate each of the "Four P's" with actual products.
4. DEVELOP A PROCEDURE FOR IDENTIFYING TARGET MARKETS AND DEVELOPING A MARKETING MIX.	
How do product changes affect the market?	Discuss the difference between a laundry detergent that is "new and improved" and a major change such as the introduction of home computers.
How are prices determined?	This is an excellent place for a cohort unit on pricing (markups, markdowns, cost-plus, etc.).
What is a retailers pricing goal?	
How do channels of distribution affect market planning?	Examine several channels of distribution to see why they were developed and what services are provided by channel members.
How should a marketing channel be selected?	
What are the channels of distribution sources?	
What are modes of transportation?	If a transportation manager is available, an interesting presentation could be given on selecting types of transportation.

Objectives	Teaching Suggestions
What is this unit about?	
What are the methods of consumer communications?	Develop a chart comparing the major communications methods on cost and effectiveness.
How can advertising help a business?	
What services do advertising agencies offer?	Tour an advertising agency to learn about its services to small businesses.
How should promotional methods be mixed?	
What questions should be asked when developing a marketing mix?	For each of the questions ask students to illustrate how it could help develop a better marketing mix.
What are decisions regarding the mix?	Have each student select a product and identify all components of each mix element using the list provided.

5. OUTLINE A MARKETING PLAN.

LOCATING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY FACTORS THAT SHOULD BE CONSIDERED WHEN SELECTING SITES FOR SPECIFIC TYPES OF BUSINESSES (RETAIL, MANUFACTURING, WHOLESALE, SERVICE). How important is the right location? What general factors should be considered when selecting a business location?	Contact the Small Business Administration concerning the presentation of a prebusiness workshop. Form the class into committees responsible for planning the various phases of the workshop.
2. IDENTIFY FACTORS THAT SHOULD BE CONSIDERED WHEN ANALYZING A GEOGRAPHIC AREA AS A POSSIBLE LOCATION FOR A BUSINESS. What specific factors should be considered when selecting a business site? What about the future?	Have the class form into groups representing the various types of business. Have each group select an actual site for a business. Let the class vote on the "most likely to succeed."
3. DETERMINE THE STEPS INVOLVED IN SELECTING A BUSINESS SITE. What types of business locations are there? What steps are involved in selecting a business site? Should you buy an existing business or start a new one?	After each person has selected a specific business to operate he or she should develop an individual list of steps to follow. Each step should be explained in detail.

Objectives	Teaching Suggestions
What is this unit about?	
4. DISCUSS THE FACTORS CONSIDERED IN PROPERTY APPRAISAL. What should be done to appraise a business?	Have an accountant or banker explain the valuation of a business.
5. IDENTIFY RESOURCES AVAILABLE TO HELP ENTREPRENEURS MAKE SITE SELECTIONS. What help is available for selecting a location?	Have class members report on the specific services provided by an agency listed in the module.

FINANCING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN HOW TO DETERMINE THE DIFFERENT TYPES OF COSTS THAT MUST BE CONSIDERED WHEN STARTING A NEW BUSINESS.	
What factors affect the cost of starting a new business?	Find someone who has recently started a small business in your area. Ask this person to tell the class about some of the costs involved in starting this business.
How do you estimate your cash needs?	
2. COMPARE THE ADVANTAGES AND DISADVANTAGES OF THE VARIOUS SOURCES OF FINANCING FOR A NEW BUSINESS.	
What are the sources of financing for a new business?	
What are the advantages and disadvantages of equity financing?	Invite a local banker to speak to the class about various methods of business financing.
What are the advantages and disadvantages of debt financing?	
What are the advantages and disadvantages of other financing sources?	
3. DESCRIBE THE SOURCES OF LOANS THAT MAY BE AVAILABLE FOR FINANCING A NEW BUSINESS.	
What are the different types of loans for financing a new business?	Invite a representative from a bank, finance company, life insurance company, or savings and loan to talk to the class about financing opportunities in the local area. Invite a representative from one of the federal loan agencies to discuss other financing opportunities.
Who are the commercial lenders?	
What are the government sources of loans?	

Objectives	Teaching Suggestions
What is this unit about?	
4. DESCRIBE THE INFORMATION THAT MUST BE PROVIDED IN A LOAN APPLICATION PACKAGE. What is a loan application package? What is in the loan application package?	Have the students design a business financing plan. Have a local banker or loan officer speak to the class and help them to evaluate the strengths and weaknesses of the plan.
5. EXPLAIN THE CRITERIA USED BY LENDING INSTITUTIONS TO EVALUATE LOAN APPLICANTS. How do lenders evaluate loan application packages? What are the "six C's" of credit evaluation?	

DEALING WITH LEGAL ISSUES

Objectives	Teaching Suggestions
What is this unit about?	
1. DESCRIBE THE MAJOR LEGAL ISSUES FACED BY ENTREPRENEURS.	
What are some legal issues that entrepreneurs face?	Obtain printed material on state laws and forms concerning sales contracts from the appropriate local government agency.
2. DETERMINE WHEN AND HOW TO OBTAIN ASSISTANCE WITH LEGAL ISSUES.	
3. IDENTIFY MAJOR TYPES OF CONTRACTS USED BY ENTREPRENEURS.	
What are the most common types of contracts?	Arrange to have a local lawyer meet with the class regarding contracts, or arrange to have a small business owner talk to the class about the contracts used in his or her firm.
What is a lease?	
What types of leases are available?	
4. IDENTIFY THE MAJOR RIGHTS AND RESPONSIBILITIES OF LESSEES AND LESSORS.	
What are the responsibilities of tenants and property owners?	Have the class discuss how the responsibilities of tenants and landlords can vary according to lease or rental agreements.
What are the duties of the tenants?	Arrange to have a realtor discuss leases with the group.
Do property owners have rights and responsibilities?	
What should a lease include?	
Why lease equipment?	

Objectives	Teaching Suggestions
What is this unit about?	
5. IDENTIFY SPECIAL CONTRACTS USED BY ENTREPRENEURS (MORTGAGE VS. DEED OF TRUST, CREDIT SALES CONTRACT, AND LONG-TERM CONTRACT).	
What are sales contracts?	
What is the uniform commercial code?	
What do we mean by the terms "warranty" and "guarantee"?	
What are credit sales?	
What is a conditional sales contract?	
What is a mortgage?	**Arrange for the mortgage officer of a bank or savings and loan company to meet with the group.**
What is the difference between a mortgage and a deed of trust?	

COMPLYING WITH GOVERNMENT REGULATIONS

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY AREAS OF GOVERNMENT REGULATION THAT SHOULD BE CONSIDERED IN A BUSINESS PLAN.	
Why are government rules and regulations important?	Reserve a bulletin board for clippings from newspapers and periodicals that demonstrate the importance of government regulations.
How can federal regulations be classified?	Arrange for a local attorney to explain to the group the regulatory concerns of small business.
What types of business taxes are there?	Organize a panel of small business owners to discuss the effects of taxes on their business operations.
2. COMPILE A LIST OF APPROPRIATE GOVERNMENTAL AGENCIES CONCERNED WITH REGULATIONS, LICENSES, AND PERMITS.	
What help can be found for complying with government regulations?	Through library research, identify several assistance agencies and their addresses. Ask the agencies to provide information regarding their operations.

MANAGING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. USE THE DECISION-MAKING PROCESS TO MAKE BUSINESS DECISIONS.	
What is involved in making good business decisions?	
What are the steps involved in making business decisions?	Invite an entrepreneur to speak to the group on the steps she or he uses in solving business problems and on a typical work week of an owner-manager.
How do you identify the problem?	
What about defining alternative solutions?	
How do you gather facts about the alternatives?	
What about formulating a plan of action?	
What are the decision-making skills?	
2. IDENTIFY STEPS IN THE PLANNING PROCESS.	
What are the management functions?	
What is the planning function?	
What is involved in the planning function?	
Are there planning devices available?	
3. IDENTIFY ORGANIZATIONAL TOOLS FOR A SMALL BUSINESS.	Invite a speaker from Junior Achievement to speak to the class about the program.
What is the organizing function?	

Objectives	Teaching Suggestions
What is this unit about?	
What is involved in performing the organizing function?	
What factors improve organization?	
Are there tools available to help with organizing?	
How can you organize a business?	
4. IDENTIFY CONTROL PROCEDURES THAT CAN BE USED BY A BUSINESS.	
What is the staffing and directing function?	
What is the controlling and evaluating function?	
What does the control function involve?	
5. IDENTIFY TIME MANAGEMENT TECHNIQUES.	
Can time management techniques help managers?	

MANAGING HUMAN RESOURCES

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY THE STEPS INVOLVED IN HIRING EMPLOYEES.	
What is job analysis?	Obtain various personnel forms (such as application blanks) from different kinds of local firms.
What is the job description?	
How do you recruit new employees?	
How do you make the final selection?	
2. DESCRIBE THE PROCEDURES FOR DEVELOPING A TRAINING PROGRAM.	
What are the procedures for developing a training program?	
3. EXPLAIN VARIOUS STYLES OF MANAGEMENT.	
What are Theory X and Theory Y?	
What are the characteristics of a good supervisor?	
4. DESCRIBE VARIOUS TECHNIQUES THAT MAY BE USED TO SUPERVISE AND MOTIVATE EMPLOYEES.	
How do you motivate employees to be productive?	
5. DESCRIBE VARIOUS METHODS FOR COMMUNICATING WITH EMPLOYEES.	
Why is company communication important?	Obtain different types of company communication media such as newsletters, bulletins, and posters.

Objectives	Teaching Suggestions
What is this unit about?	
How do you communicate with your employees?	
6. DISCUSS VARIOUS ALTERNATIVES FOR EVALUATING EMPLOYEE PERFORMANCE.	
How do you evaluate employee performance?	
7. IDENTIFY THE STEPS IN DEVELOPING A COMPREHENSIVE EMPLOYEE COMPENSATION PACKAGE.	
What does employee compensation include?	Contact your nearest state employment office for information regarding the responsibilities of entrepreneurs in state unemployment insurance programs and employee disability/worker's compensation programs.
What are the steps in developing an employee compensation package?	
How do you select an employee benefit plan?	

PROMOTING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	Compare the difference in planning promotion with no information and planning promotion after careful study of a product, the competition, and customers. Students should easily see that having information makes the planning process much easier.
1. DEVELOP PROMOTIONAL SKILLS.	
What information do consumers need?	Every consumer goes through the following decision stages when buying a brand new product: awareness, interest, evaluation, trial, decision, confirmation. Select any relatively new product and have the students list the information they would need at each stage of the consumer decision-making process. This would also be a good opportunity for a consumer survey. Students could ask consumers what information they would need to buy a specific product. Then the class should compare and discuss the results. Have each student write three promotional objectives. They can then evaluate the objectives in small groups to see if they meet the three criteria. Discuss how objectives help in promotional planning.
How should specific promotional decisions be made?	Assume a new small business has allowed $1,800 a month for promotion. Have students work in small groups to plan three months of promotional activities—then compare the plans to see how the money was spent. (A good test of the plans' effectiveness is whether or not students developed objectives.)
What are promotional objectives?	
2. DESCRIBE ADVERTISING AND SALES PROMOTION TECHNIQUES.	
What are the objectives of advertising?	
What types of advertisements are available?	Take a field trip to an advertising agency or the advertising department of a newspaper or television station. Make sure the types of advertising are discussed as well as the process for placing ads in media.

Objectives	Teaching Suggestions
What is this unit about?	
What types of media are suitable for small business advertising?	Collect information on the costs and reach characteristics of several media alternatives. Have students calculate the per person cost of each method. Make sure students see how costs per person increase if you don't need to reach every person in the medium's reach.
When should newspapers be used?	
What are some of the things to think about when advertising in newspapers?	
How much does newspaper advertising cost?	
When should you use an ad in the yellow pages?	
When should small businesses use magazine ads?	A sales representative for a firm that sells promotional items would be a very interesting guest speaker.
Why should radio be used for advertising?	
What are some advantages of radio?	
What are some of the disadvantages of radio?	
Are some types of radio ads better than others?	
Why choose television advertising?	
What are the advantages of television advertising?	
What are the disadvantages of television advertising?	
Why use outdoor advertising?	
What kinds of outdoor advertising are available?	
What are the advantages of outdoor advertising?	

Objectives	Teaching Suggestions
What is this unit about?	
What are the disadvantages of outdoor advertising?	
What is direct mail advertising?	
What are the advantages of direct mail advertising?	
What are the disadvantages of direct mail advertising?	
3. IDENTIFY COST FACTORS IN THE SELECTION OF ALTERNATIVE PROMOTIONAL METHODS.	
What are the types of sales promotion?	Students will enjoy collecting strange and unusual types of sales promotion materials. After collecting them, the class should analyze the purpose of each item and their ideas about how effective each one would be.
What is specialty advertising?	
How cost-effective are the promotional alternatives?	
4. IDENTIFY SOURCES OF PROMOTIONAL ASSISTANCE AND INFORMATION.	Have students interview several business people to see what promotional development they do, what they have others do, and what sources of help are available to them. Students can look through the yellow pages of a phone book or a business directory and list businesses that can provide promotional assistance.
What are some sources of promotional help?	
What about using the services of an advertising agency?	
What do advertising agencies do?	Invite an individual from a local advertising agency to speak to the group.
How much do advertising agencies cost?	

Objectives	Teaching Suggestions
What is this unit about?	
5. IDENTIFY THE OBJECTIVES OF A PUBLIC RELATIONS PROGRAM.	Divide students into small groups and have them brainstorm public relations activities of small businesses in your community. Encourage them to be as creative as possible in developing ideas that involve many people and that relate to many parts of the community.
How can an effective public relations program be developed?	

MANAGING SALES EFFORTS

Objectives	Teaching Suggestions
What is this unit about?	
1. LIST SOURCES OF PRODUCT/ SERVICE INFORMATION.	
What is the importance of product knowledge?	Have the group analyze a variety of products to determine the type of information a salesperson should have to sell the products effectively. Analyses should include selling points and indicate a knowledge of the products.
What product information do you need?	
What about industrial sales?	
What questions should the salesperson be able to answer?	
2. DESCRIBE CUSTOMER BUYING MOTIVES.	
Why do people buy?	
Do customers buy only products?	
3. LIST AND DISCUSS THE BASIC TYPES OF CUSTOMERS TO WHICH YOUR BUSINESS WILL APPEAL.	
Are there different types of customers?	
4. DEMONSTRATE THE PROCESS OF SELLING.	
What are the steps of a successful sale?	Have the group observe salespeople in a store to determine the kinds of sales techniques used.
How do you open the sale?	
What types of approaches are there?	
How do you determine customer needs?	
How do you present the product or service?	

Objectives	Teaching Suggestions
What is this unit about?	
How can you overcome customer objections?	
Can you develop expertise in overcoming objections?	
How do you close a sale?	
What are closing signals?	
Are there methods for closing a sale?	
What is suggestion selling?	
What does following-up the sale require?	
5. DISCUSS SOURCES FOR FINDING NEW CUSTOMERS.	
How important is finding prospects?	
What are some of the sources for finding new customers?	

KEEPING THE BUSINESS RECORDS

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY THE SOURCES OF ASSISTANCE IN RECORDKEEPING.	
Who should maintain the records?	Have the students look at the recordkeeping aids that are available at a local bookstore. Have them evaluate the suitability of these materials for both a large and small company.
What are the requirements for good recordkeeping?	
2. IDENTIFY THE TYPES OF DATA THAT CAN BE PROVIDED BY RECORDKEEPING.	
Why is recordkeeping so important?	
What records should be kept?	
3. DESCRIBE THE USES AND TYPES OF JOURNALS AND LEDGERS.	Invite an accountant to speak to the class. Have the person describe the journals and ledgers that are used in his or her business, and how these materials are similar to or different from those that might be used in a different company.
What are journals and ledgers?	
What are different types of journals?	
What is the daily sales and cash summary?	
4. DESCRIBE VARIOUS TYPES OF BUSINESS RECORDS.	
How are accounts receivable recorded?	
How do you record accounts payable?	
What payroll records are needed?	
How would income and expenses be recorded in the ledger?	
What is the inventory control function?	Arrange a class tour of a local warehouse facility. Have the company representative explain the inventory control system. Be sure to discuss the possibility of computerized inventory control.

MANAGING THE FINANCES

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY VARIOUS COMPONENTS OF BALANCE SHEET REPORTS.	
2. IDENTIFY TERMS/CONCEPTS COMMONLY USED ON SMALL BUSINESS BALANCE SHEETS.	
What are the components of the balance sheet?	Show students examples of small business and corporate balance sheets. (Use transparencies)
What are assets?	Identify various types of assets from several different balance sheets. (Use transparencies)
What are liabilities?	Identify various types of liabilities from several different balance sheets. (Use transparencies)
What is net worth?	Have students compute net worth from the above balance sheets.
3. IDENTIFY VARIOUS COMPONENTS OF PROFIT AND LOSS STATEMENTS.	
What is a profit and loss statement?	Show students examples of small business and corporate profit and loss statements.
What are the components of a profit and loss statement?	Have students compute a projected profit and loss statement for their own business.
How do profit and loss statements vary across types of businesses?	Show a manufacturer's and a wholesaler's profit and loss statement. Compare with other statements.
4. ANALYZE USES OF VARIOUS DEPRECIATION SCHEDULES.	
What are some methods of accounting for depreciation?	Show depreciation schedules for various assets.
How is straight line depreciation computed?	Work out problem examples using different depreciation plans for the same asset. Compare results.

Objectives	Teaching Suggestions
What is this unit about?	
How is declining balance depreciation computed?	
How is the sum of the years-digits depreciation computed?	
5. DESCRIBE HOW TO PREPARE A CASH FORECAST.	
Why is a cash forecast necessary?	Show example cash forecasts. Have students use similar cash forecast forms as illustrated in the module to prepare a three-month forecast for their business.
How is a cash forecast prepared?	
How can microcomputers aid financial management?	

MANAGING CUSTOMER CREDIT AND COLLECTIONS

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY TECHNIQUES OF SETTING CREDIT LIMITS FOR CREDIT CUSTOMERS.	
How can credit limits be set?	Invite a local banker or loan officer to discuss how to set credit limits. Have students determine specific credit limits for individual customers (create case problems).
2. EXPLAIN THE TYPES OF INFORMATION TO BE INCLUDED IN A CREDIT RECORD FOR AN INDIVIDUAL CUSTOMER.	
What basic credit records should be maintained?	Review examples of credit records used by small businesses, credit grantors, etc. Have students design credit records for their own business.
What procedures are available to identify credit problems?	
3. DESCRIBE HOW AN AVERAGE ACCOUNTS RECEIVABLE COLLECTION PERIOD CAN BE CALCULATED.	
How can the average collection period be calculated?	Have students work out collection period problems.
4. EXPLAIN HOW AN AVERAGE ACCOUNTS RECEIVABLE COLLECTION PERIOD CAN BE USED TO IDENTIFY CREDIT PROBLEMS IN A BUSINESS.	
How can the average collection period be analyzed?	Review profit and loss statements of "sample" firms to analyze collection problems/periods.

Objectives	Teaching Suggestions
What is this unit about?	
5. DESCRIBE THE FORMAT THAT COULD BE USED TO DESIGN AN ACCOUNTS RECEIVABLE AGING SYSTEM.	
How can an accounts receivable "aging" system be developed?	Review formats of accounts receivable aging systems. Have students design their own forms and systems.
6. IDENTIFY AND DISCUSS EFFECTIVE INTERNAL CREDIT COLLECTION PROCEDURES.	
What are effective collection procedures?	Have a credit manager discuss credit collection procedures. Have students develop a checklist of credit collection procedures for their business.
7. IDENTIFY AND DISCUSS EFFECTIVE EXTERNAL CREDIT COLLECTION PROCEDURES.	
How can collection agencies be utilized?	Visit a credit collection agency. Have the collection manager discuss external credit collection procedures.
How can the courts be utilized?	Have an attorney or judge discuss legal implications and rights regarding credit collections.
8. IDENTIFY AND DISCUSS COMMON ATTITUDINAL PROBLEMS MANAGERS CAN HAVE ABOUT CREDIT COLLECTIONS.	
What are some managerial attitudinal problems?	Invite a small business manager/owner to discuss how to overcome attitudinal problems associated with credit collections.

PROTECTING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY VARIOUS PROTECTIVE MEASURES THAT CAN BE USED TO MINIMIZE SHOPLIFTING.	
What is a risk?	
Can risks be avoided?	
Can potential shoplifters be detected?	**Invite a department store security person to speak to the group.**
What tactics do shoplifters usually use?	
What protective measures can you take?	
What can your employees do to prevent shoplifting?	
Is there equipment that will minimize shoplifting?	
How should shoplifters be apprehended?	
2. IDENTIFY PROCEDURES THAT CAN BE USED TO REDUCE THE AMOUNT OF LOSSES FROM THEFT.	
How do employees steal from their company?	
How can employee theft be curbed?	
What can be done to discourage employee theft?	
What policies and procedures can be followed to reduce employee theft?	

Objectives	Teaching Suggestions
What is this unit about?	
What is vendor theft?	
How can you reduce vendor theft?	
3. IDENTIFY PROCEDURES THAT CAN BE USED TO REDUCE THE AMOUNT OF BAD CHECK LOSSES.	
Should your business accept personal checks?	
Are there different kinds of bad checks?	
What preventive measures can a business take to minimize losses from bad checks?	
What other policies can be followed to reduce bad check losses?	
4. IDENTIFY HOW TO SECURE BUSINESS PREMISES AGAINST BURGLARY AND ROBBERY.	
Which businesses are more vulnerable to robberies?	
What can reduce your chances of being robbed?	Visit two businesses selling basically the same type of product and compare their business protection approaches.
Where can you get information on securing a business against burglaries?	
What about locks and key control?	
How can windows be secured?	
How can lights promote security?	
What about guards or patrol services?	
5. IDENTIFY PROPER PROCEDURES FOR GUARDING CASH.	
What about protecting cash?	

Objectives	Teaching Suggestions
What is this unit about?	
How do you select an alarm system?	
6. IDENTIFY THE DIFFERENT TYPES OF BUSINESS INSURANCE POLICIES AVAILABLE.	
Should a business purchase insurance?	**Interview local business owners regarding their insurance coverage.**
How much will insurance cost?	
What are the types of business insurance?	

TRANSPARENCY MASTERS

Note to Instructor:

This section contains suggested transparencies designed to enhance lectures and discussions. In most cases they have not been referenced in the teaching outline, but have been designed to be used with it.

STANDARD INDUSTRIAL CLASSIFICATION CODE
MANUFACTURING, WHOLESALE, RETAIL, SERVICES

DIVISION D. MANUFACTURING

20. Food and kindred products
21. Tobacco manufacturers
22. Textile mill products
23. Apparel and other finished products made from fabrics and similar materials
24. Lumber, wood products, except furniture
25. Furniture and fixtures
26. Paper and allied products
27. Printing, publishing, and allied industries
28. Chemicals and allied products
29. Petroleum refining and related industries
30. Rubber and miscellaneous plastics products
31. Leather and leather products
32. Stone, clay, glass, and concrete products
33. Primary metal industries
34. Fabricated metal products, except machinery and transportation equipment
35. Machinery, except electrical
36. Electrical and electronic machinery, equipment and supplies
37. Transportation equipment
38. Measuring, analyzing, and controlling instruments; photographic, medical and optical goods; watches and clocks
39. Miscellaneous manufacturing industries

DIVISION F. WHOLESALE

50. Wholesale trade—durable goods
51. Wholesale trade—nondurable goods

DIVISION G. RETAIL TRADE

52. Building materials, hardware, garden supply, and mobile home dealers
53. General merchandise stores
54. Food stores
55. Automotive dealers and gasoline service stations
56. Apparel and accessory stores
57. Furniture, home furnishings, and equipment stores
58. Eating and drinking places
59. Miscellaneous retail

DIVISION I. SERVICES

70. Hotels, rooming houses, camps, and other lodging places
72. Personal services
73. Business services
75. Automotive repair, services, and garages
76. Miscellaneous repair services
78. Motion pictures
79. Amusement and recreation services, except motion pictures
80. Health services
81. Legal services
82. Educational services
83. Social services
84. Museums, art galleries, botanical and zoological gardens
86. Membership organizations
88. Private households
89. Miscellaneous services

WHAT HATS DO MANY ENTREPRENEURS WEAR?

_____ Financier
_____ Insurance Manager
_____ Shipper
_____ Advertising Copywriter
_____ Engineer
_____ Public Relations Agent
_____ Designer
_____ Architect
_____ Display Artisan
_____ Personnel Manager
_____ Wage Clerk
_____ Accountant
_____ File Clerk
_____ Teacher
_____ Bookkeeper
_____ Mechanic
_____ Secretary
_____ Groundskeeper
_____ Motor Pool Officer
_____ Showperson
_____ Billing Clerk

_____ Stock Clerk
_____ Warehouser
_____ Driver
_____ Artist
_____ Sign Painter
_____ Electrician
_____ Salesperson
_____ Ombudsperson
_____ Editor
_____ Maintenance Engineer
_____ Supervisor
_____ Manager
_____ Superintendent
_____ Tax Expert
_____ Analyst
_____ Economist
_____ Inventor
_____ Travel Clerk
_____ Writer
_____ Police Officer
_____ Custodian

(Adapted from SBA Workshop Materials)

Business Receipts by Industry Divisions and Legal Form of Organization, 1977

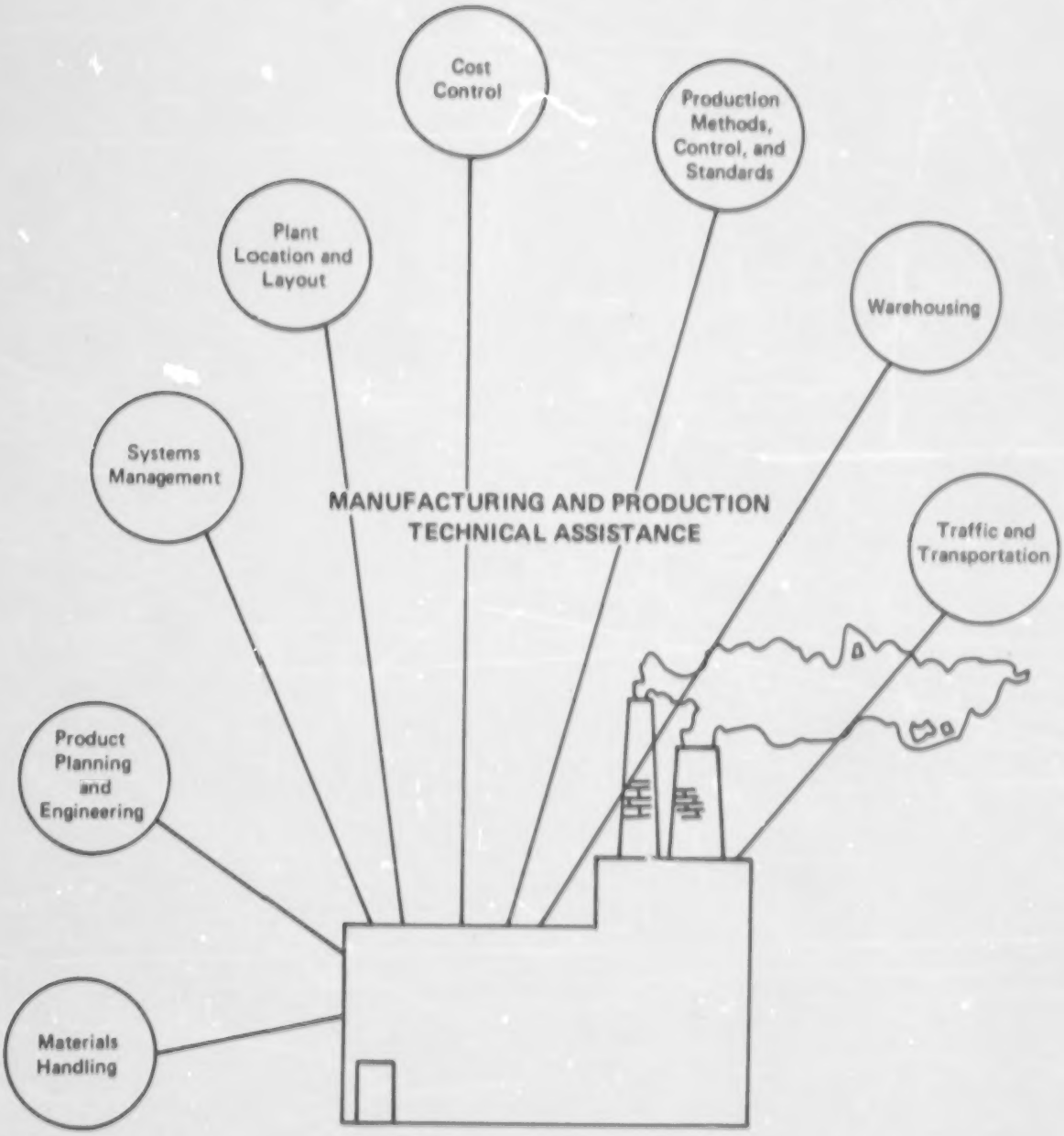
[Millions of Dollars]

Industry Division	Total	Proprietorships	Sole Partnerships	Corporations
All industries	4,384,345	393,872	176,548	3,813,925
Agriculture, forestry and fishing	122,109	74,641	13,537	33,931
All industries, excluding agriculture, forestry and fishing	4,262,236	319,231	163,011	3,779,994
Mining	103,006	4,587	5,866	92,553
Construction	233,727	42,752	14,230	176,745
Manufacturing	1,610,163	10,024	8,798	1,591,341
Transportation, Communication Utilities	336,130	13,879	3,818	318,433
Wholesale and Retail Trade	1,424,725	160,494	48,616	1,215,615
Wholesale Trade	675,388[1]	33,499[1]	16,624	625,265[1]
Retail Trade	744,541[1]	123,594[1]	31,983	588,964[1]
Finance, Insurance, Real Estate	270,078	19,320	43,895	206,863
Services	281,168	67,701	37,788	175,589
Not allocable	3,237	383	———	2,854

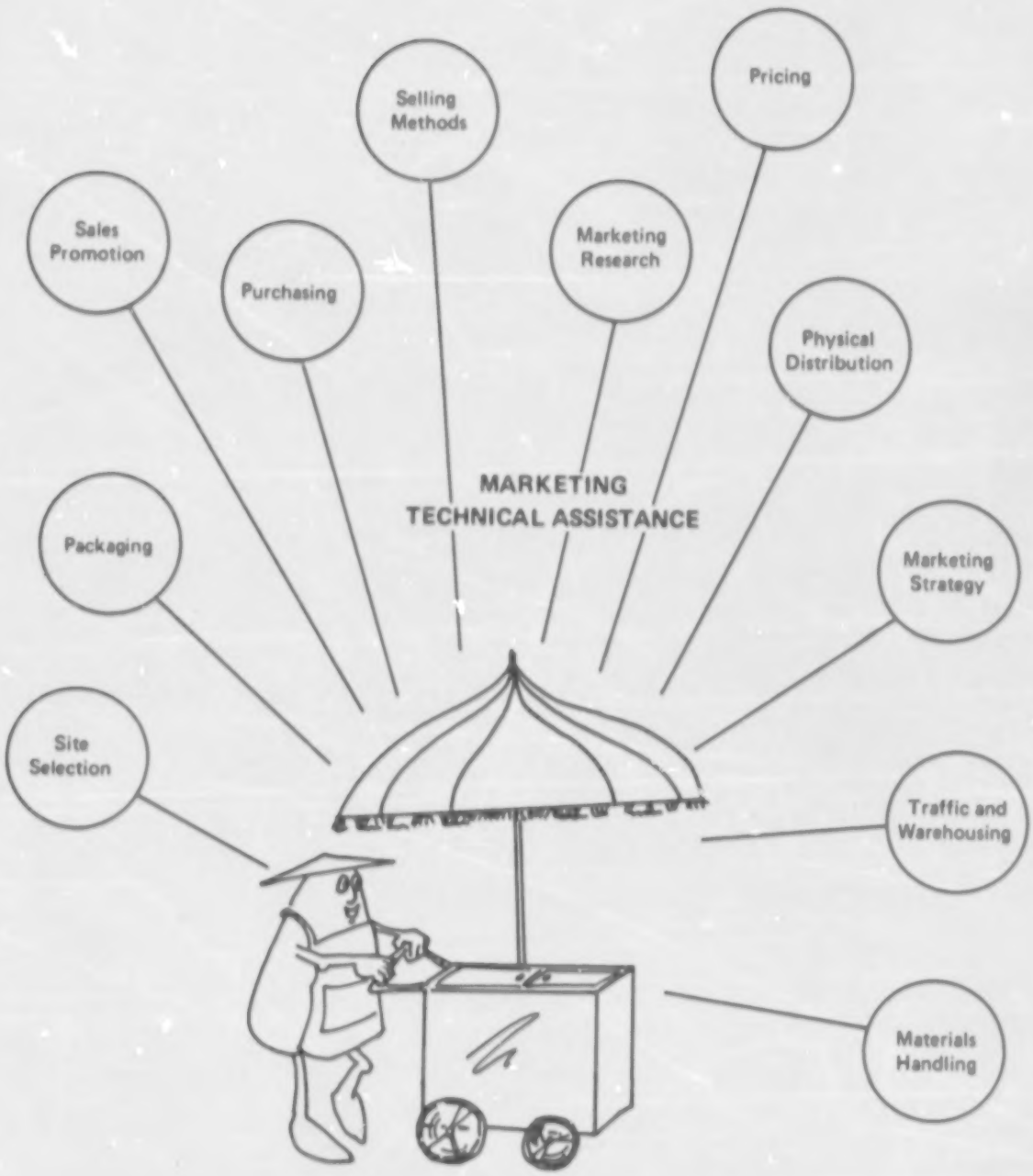
[1]Does not incude unallocated returns.

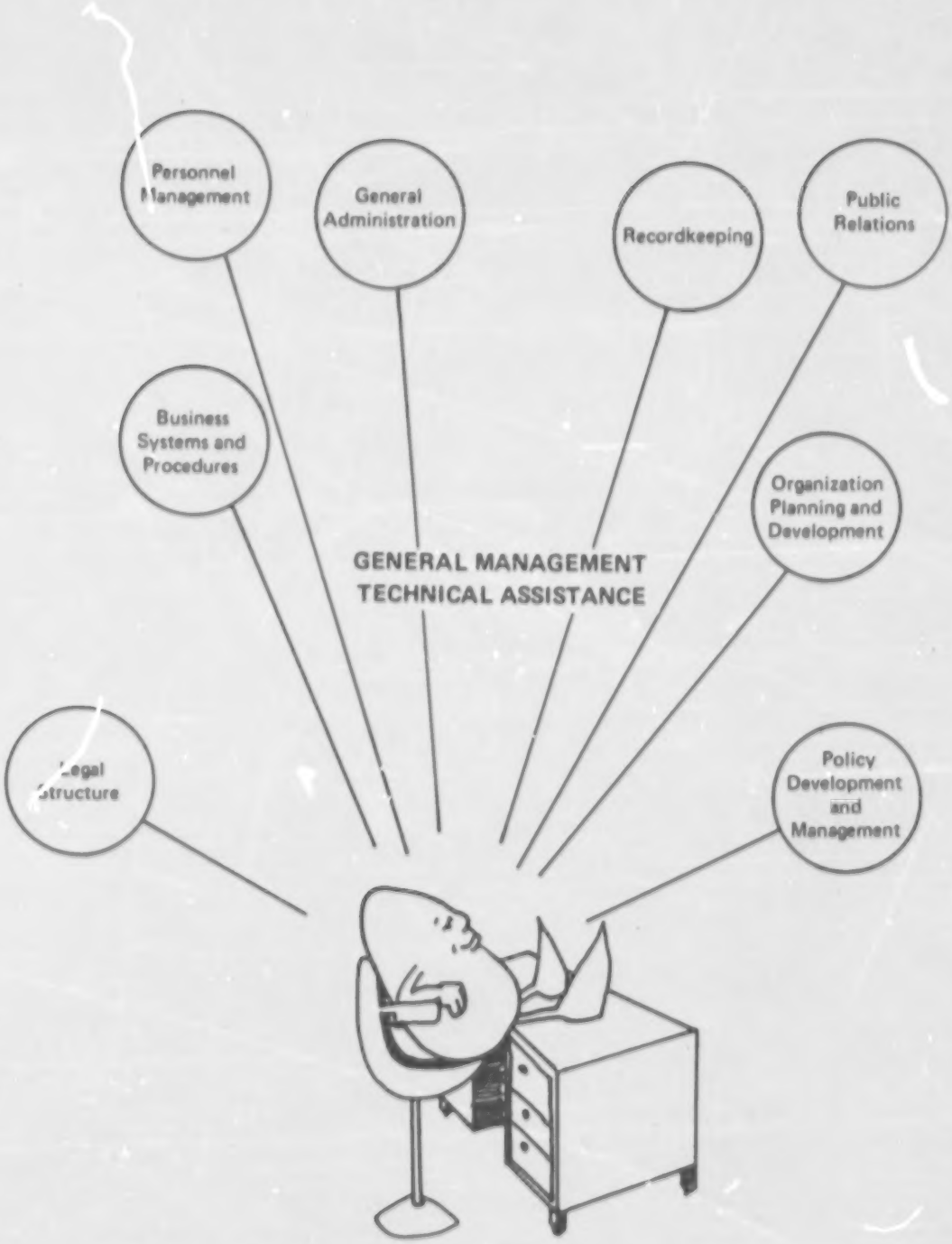
Note: Components may not add to total because of rounding.

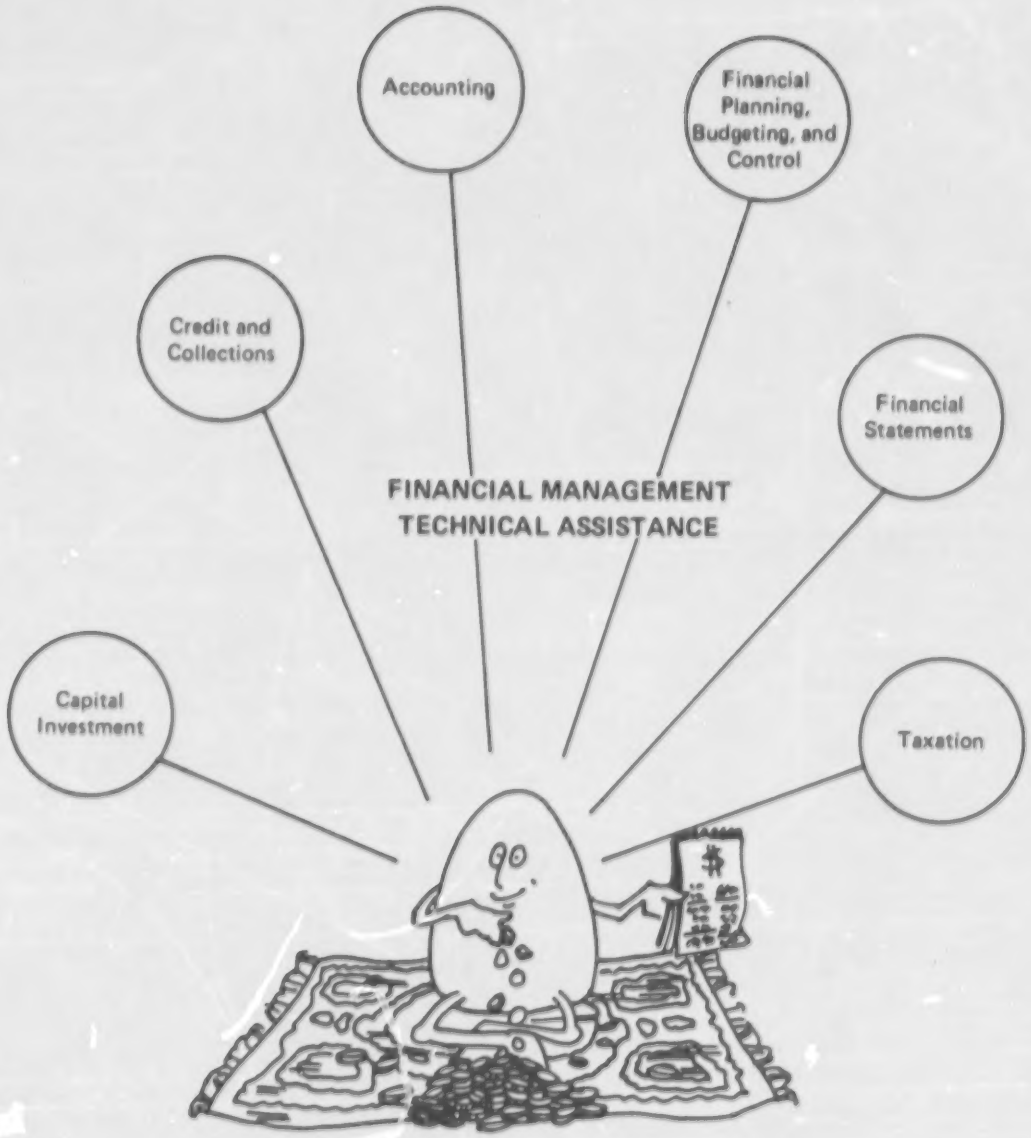
Source: Department of Treasury, Internal Revenue Service, *1977 Sole Proprietorship Returns,* Table 1.1; *1977 Partnership Returns,* Table 1 and *1977 Corporation Revenue Tax Returns,* Table 1.


Cost Control
Production Methods, Control, and Standards
Plant Location and Layout
Warehousing
Systems Management
MANUFACTURING AND PRODUCTION TECHNICAL ASSISTANCE
Traffic and Transportation
Product Planning and Engineering
Materials Handling

87


Selling Methods
Pricing
Sales Promotion
Purchasing
Marketing Research
Physical Distribution
MARKETING TECHNICAL ASSISTANCE
Packaging
Marketing Strategy
Site Selection
Traffic and Warehousing
Materials Handling


Personnel Management
General Administration
Recordkeeping
Public Relations
Business Systems and Procedures
Organization Planning and Development
GENERAL MANAGEMENT TECHNICAL ASSISTANCE
Legal Structure
Policy Development and Management


Accounting
Financial Planning, Budgeting, and Control
Credit and Collections
Financial Statements
FINANCIAL MANAGEMENT TECHNICAL ASSISTANCE
Capital Investment
Taxation

THE INTERVIEW METHOD

TO SELECT DISTRIBUTION CHANNELS YOU NEED TO KNOW ABOUT VARIOUS MODES OF TRANSPORTATION

LOCATION CAN MAKE OR BREAK A BUSINESS

ECONOMIC LOCATION FACTORS

Type of Industry

Amount of Industry

Stability of Industry

POPULATION LOCATION FACTORS

Income levels

Age groupings

Residential areas

BE AWARE OF COMPETITORS WHEN LOCATING YOUR BUSINESS

COMPETITION LOCATION FACTORS

- Number of competitors
- Location of competitors
- Condition of competitors
- Type of competitors

CENTRAL SHOPPING DISTRICT CHARACTERISTICS

Located on main thoroughfares

Substantial drawing power

Heavy traffic

High operating costs

Heavy competition

Declining quality of life

BUYING A NEW BUSINESS

Location data is available

Equipment, fixtures, and furnishings in place

Experienced employees

Possible assistance from previous owners

Established customers

NEIGHBORHOOD SHOPPING AREA CHARACTERISTICS

- Located near residential areas
- Low operating costs
- Personal contact with customers
- Small trading area
- Limited sales

Transparency No. 9

SHOPPING CENTER CHARACTERISTICS

- Planned tenant mix
- Located near highways
- Substantial drawing power
- Ample parking
- Attractive atmosphere
- High costs
- Uniform hours
- Cooperative advertising

Locating the Business
Unit 7
Level 2

Transparency No. 10

STARTING A NEW BUSINESS

Select new equipment, fixtures, and furnishings

Select own employees

Establish new policies

Locating the Business
Unit 7
Level 2

GATHER AS MUCH INFORMATION ON FINANCING AS YOU CAN

Transparency No. 1

Financing the Business
Unit 8
Level 2

A LENDER'S MAIN CONCERN: GETTING THE LOAN REPAID

BE SURE TO HAVE LONG-TERM CONTRACTS CHECKED BY YOUR ATTORNEY

THE MOST COMMON TYPES OF CONTRACTS

THE ORIGINAL TENANT IS LIABLE FOR RENT

MAJOR FEDERAL REGULATORY AGENCIES

Federal Trade Commission

Equal Employment Opportunity Commission

Occupational Safety and Health Administration

Environmental Protection Agency

IMPACT ON SMALL BUSINESS

Protection

Paperwork

Cost Burden

Operational Decisions

LAWS PROTECTING COMPETITION

Sherman Act

Clayton Act

Robinson-Patman Act

LAWS PROTECTING EMPLOYEES

Occupational Safety and Health Act

Fair Labor Standards Act

Federal Social Security Act

Worker's Compensation

Pension Reform Act

Civil Rights Act

National Labor Relations Act

LAWS PROTECTING CONSUMERS

Pure Food and Drug Act

Federal Food, Drug and Cosmetic Act

Fair Packaging and Labeling Act

Consumer Credit Protection Act

Transparency No. 6

Complying with Government Regulations
Unit 10
Level 2

LAWS PROTECTING THE ENVIRONMENT

Clean Air Act

Solid Waste Disposal Act

Water Quality Act

Noise Control Act

PARTIAL LIST OF BUSINESS TAXES

- Income
- Employment
- Excise
- Sales
- Property
- Worker's Compensation
- Business Licenses

INFORM THE COMMUNITY

Transparency No. 1

Promoting the Business
Unit 13
Level 2

143

Benefits of Advertising

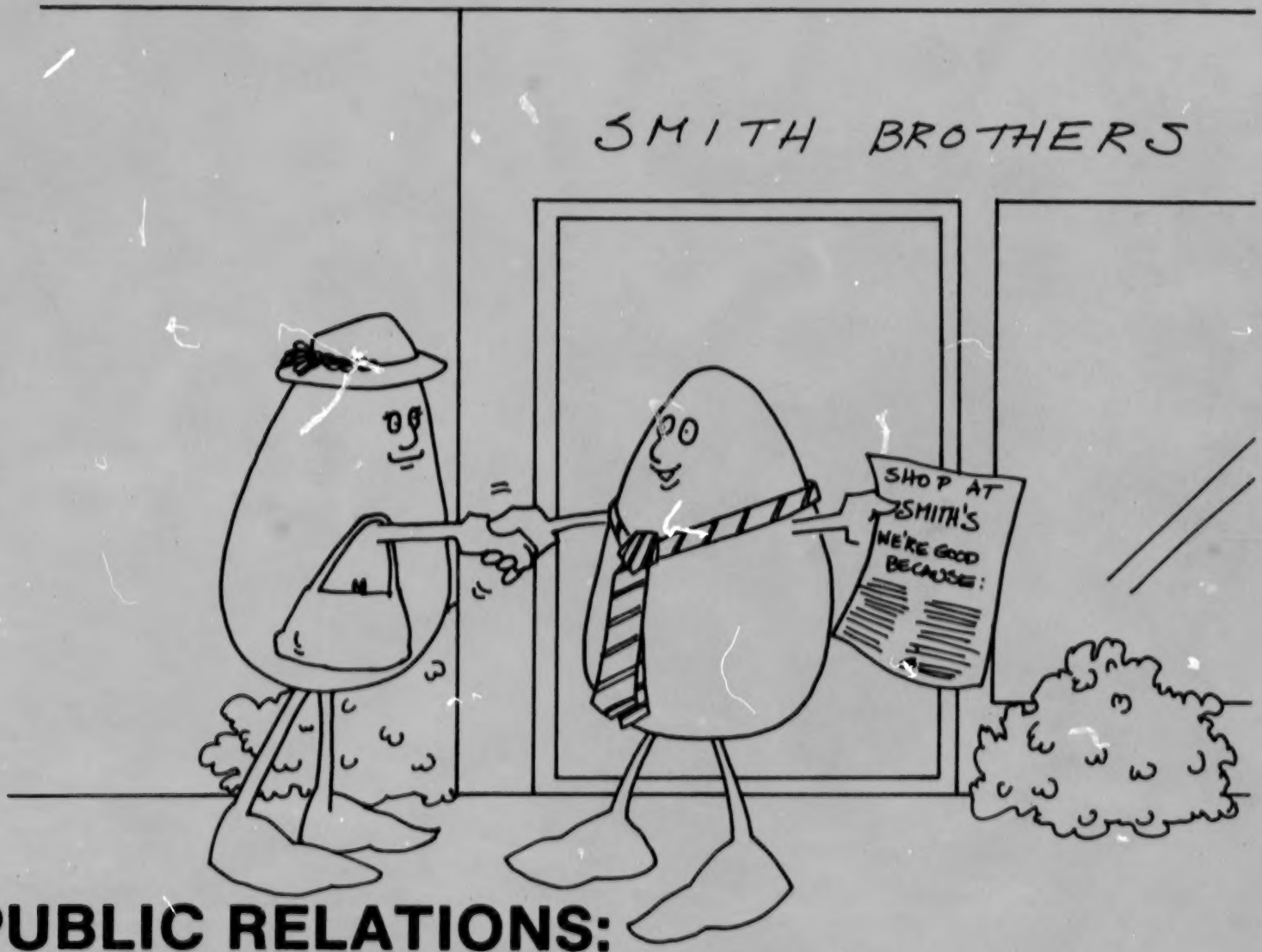
a. Aids in the introduction of new products.

b. Can help expand the market.

c. Can help sell the company "image."

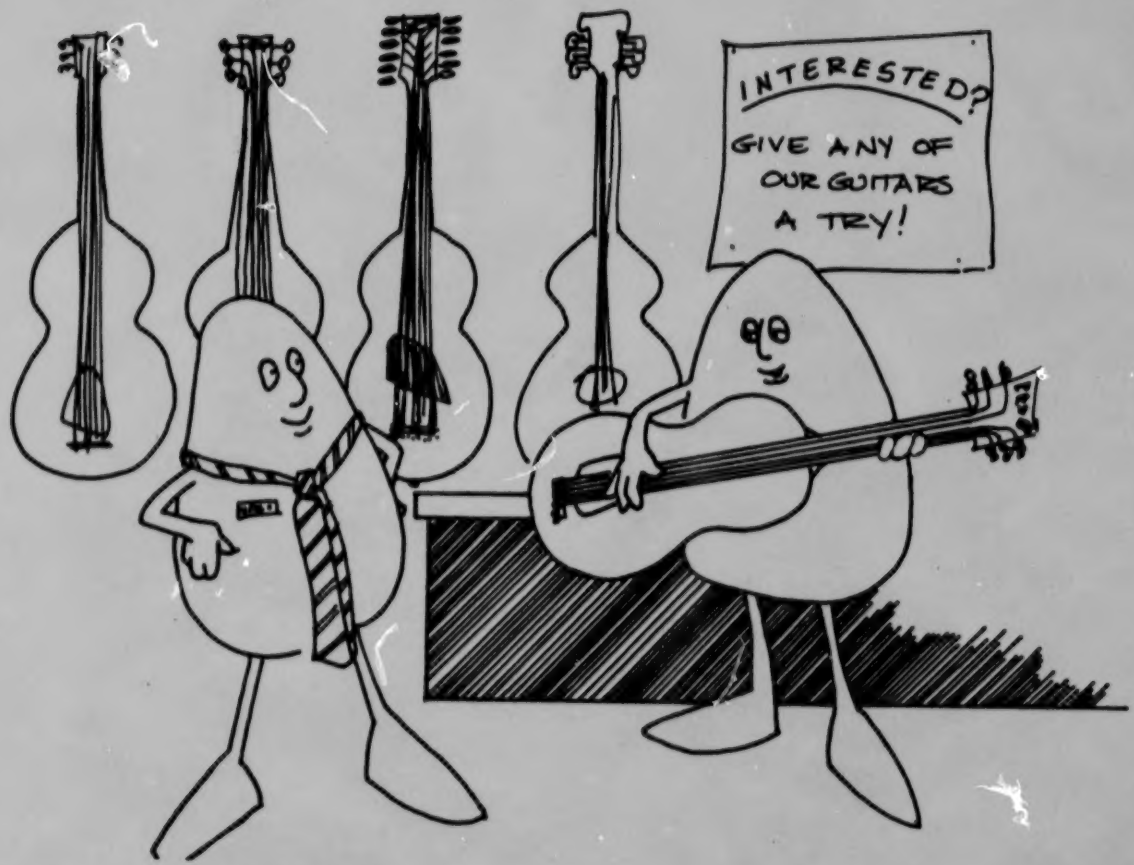
d. Can help obtain immediate buying action.

e. Can help develop goodwill for the company.



PUBLIC RELATIONS: PRESENTING THE RIGHT IMAGE

Involving Customers



Involving Customers Helps Give Them a Feeling of Ownership

151

Don't Pick Up Bad Habits

Deal With Objections

153

Treat Your Customer Like Royalty

Hidden Features: Find the Profiles

157

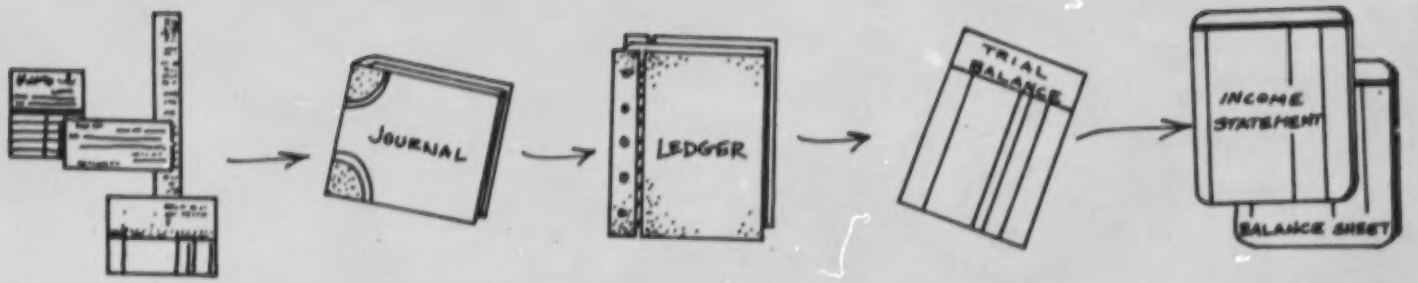
134

Transparency No. 5

Managing Sales Efforts
Unit 14
Level 2

135

COMPLETE BOOKKEEPING RECORDS



159

Business transactions are recorded on source documents.

Source documents are used to record business transactions in a journal.

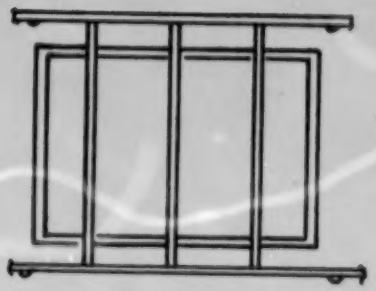
Journal entries are sorted and summarized by accounts in a ledger.

The accuracy of the accounts in the ledger is proven by taking a trial balance which is often prepared as a part of the worksheet.

Financial statements are prepared from the worksheet to show (a) what the business is worth, and (b) how well the business is doing.

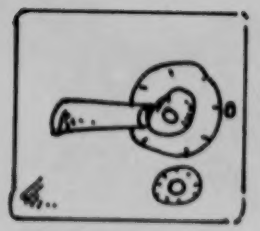
HOW TO SECURE BUSINESS PREMISES

Key Protection

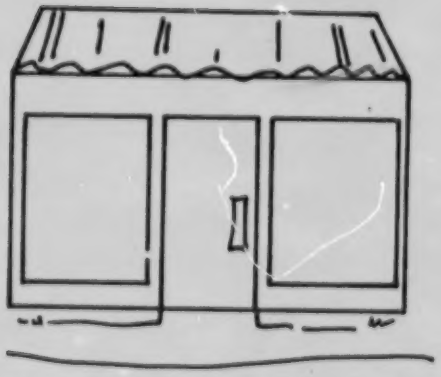


Grates to Secure Windows

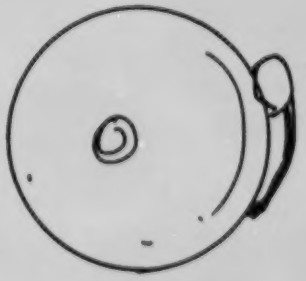
Adequate Lighting



Wall Safe



Windows Clear of Posters and Signs



Alarms

Insurance

CAN YOU NAME OTHERS?

HANDOUTS

Note to Instructor:

This section contains handouts to be duplicated for use with the modules or with the *Instructor Guide* as needed by students.

WHAT HATS DO MANY ENTREPRENEURS WEAR?

_____ Financier
_____ Insurance Manager
_____ Shipper
_____ Advertising Copywriter
_____ Engineer
_____ Public Relations Agent
_____ Designer
_____ Architect
_____ Display Artisan
_____ Personnel Manager
_____ Wage Clerk
_____ Accountant
_____ File Clerk
_____ Teacher
_____ Bookkeeper
_____ Mechanic
_____ Secretary
_____ Groundskeeper
_____ Motor Pool Officer
_____ Showperson
_____ Billing Clerk
_____ Stock Clerk
_____ Warehouser
_____ Driver
_____ Artist
_____ Sign Painter
_____ Electrician
_____ Salesperson
_____ Ombudsperson
_____ Editor
_____ Maintenance Engineer
_____ Supervisor
_____ Manager
_____ Superintendent
_____ Tax Expert
_____ Analyst
_____ Economist
_____ Inventor
_____ Travel Clerk
_____ Writer
_____ Police Officer
_____ Custodian

(Adapted from SBA Workshop Materials)

QUESTIONS TO BE ANSWERED IN A BUSINESS PLAN

After you have played the matching game by classifying the questions to be answered in the Business Plan under the right category, you can check your accuracy by the lists below.

1. Description of the Business
   a. What type of business are you planning (retail, wholesale, service)?
   b. What products or services will you sell?
   c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
   d. Why does it promise to be successful?
   e. What are the growth opportunities?

2. Marketing Plan
   a. Who are your potential customers?
   b. How will you attract and hold your share of the market?
   c. Who are your competitors? How are their businesses prospering?
   d. How will you promote sales?
   e. Who will be your best suppliers? Why?
   f. Where will the business be located?
   g. What factors will influence your choice of location?
   h. What features will your location have?
   i. How will your building contribute to your marketing strategy?
   j. What will your building layout feature?

3. Organization Plan
   a. Who will manage the business?
   b. What qualifications will you look for in a manager?
   c. How many employees will you need? What will they do?
   d. What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?
   e. How will you manage finances?
   f. How will you manage recordkeeping?
   g. What consultants or specialists will you need? Why will you need them?
   h. What legal form of ownership will you choose? Why?
   i. What licenses and permits will you need?
   j. What regulations will affect your business?

4. Financial Plan
   a. What is your total estimated business income for the first year?
      Monthly for the first year?
      Quarterly for the second and third years?
   b. What will it cost you to open the business and sustain it for eighteen months of operation?
   c. What will be your monthly cash flow during the first year?
   d. What will your personal monthly financial needs be?
   e. What sales volume will you need in order to make a profit during the first three years?
   f. What will be the break-even point?
   g. What will be your projected assets, liabilities, and net worth on the day before you expect to open?
   h. What will the capital value of your equipment be?
   i. What will your total financial needs be?
   j. What will your potential funding sources be?
   k. How will you use the money from lenders or investors?
   l. How will the loan be secured?

Unit 3
Level 2
Handout No. 2

BUSINESS PLAN CHECKSHEET

Search the sample Business Plan for the answers to the questions. Decide whether the answers are clear and complete. Evaluate the Business Plan as though you were the lending agency.

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
1. Description of the Business			
a. What type of business are your planning (retail, wholesale, service)?			
b. What products or services will you sell?			
c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?			
d. Why does it promise to be successful?			
e. What are the growth opportunities?			

Comments about the Description of the Business (Discuss strengths or weaknesses from the lender's point of view.)

2. Marketing Plan			
a. Who are your potential customers?			
b. How will you attract and hold your share of the market?			
c. Who are your competitors? How are their businesses prospering?			
d. How will you promote sales?			
e. Who will be your best suppliers? Why?			
f. Where will the business be located?			
g. What factors will influence your choice of location?			
h. What features will your location have?			
i. How will your building contribute to your marketing strategy?			
j. What will your building layout feature?			

Comments about the Marketing Plan (Discuss strengths or weaknesses from the lender's point of view.)

BUSINESS PLAN CHECKSHEET (Continued)

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
3. Organization Plan			
a. Who will manage the business?			
b. What qualifications will you look for in a manager?			
c. How many employees will you need? What will they do?			
d. What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?			
e. How will you manage finances?			
f. How will you manage recordkeeping?			
g. What consultants or specialists will you need? Why will you need them?			
h. What legal form of ownership will you choose? Why?			
i. What licenses and permits will you need?			
j. What regulations will affect your business?			

Comments about the Organization Plan (Discuss strengths or weaknesses from the lender's point of view.)

4. Financial Plan			
a. What is your total estimated business income for the first year? Monthly for the first year? Quarterly for the second and third years?			
b. What will it cost you to open the business and sustain it for eighteen months of operation?			
c. What will your monthly cash flow be during the first year?			
d. What will your personal monthly financial needs be?			
e. What sales volume will you need in order to make a profit during the first three years?			
f. What will be the break-even point?			
g. What will be your projected assets, liabilities, and net worth on the day before you expect to open?			

BUSINESS PLAN CHECKSHEET (Continued)

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
4. Financial Plan (Continued)			
h. What will the capital value of your equipment be?			
i. What will your total financial needs be?			
j. What will your potential funding sources be?			
k. How will you use the money from lenders or investors?			
l. How will the loan be secured?			

Comments about the Financial Plan (Discuss strengths or weaknesses from the lender's point of view.)

ASSESSMENT OF SKILL AND EXPERIENCE IN _____
(Name of Company)

Instructions: (1) Assess your strength or weakness for each management responsibility that applies to your business by placing a check mark in the appropriate column. (2) Assess in the same manner the strength and weakness of any key assistants or partners who are active in your business. (3) Mark every weakness with a red star.

Management Responsibilities	Owner-Manager Skills & Experience		Key Assistant Skills & Experience		Partner Skills & Experience	
	Strength	Weakness	Strength	Weakness	Strength	Weakness
I. Manufacturing and Production						
1. Production planning						
2. Production engineering						
3. Production methods						
4. Production control						
5. Production standards						
6. Quality control & standards						
7. Cost control						
8. Plant location						
9. Plant layout						
10. Systems management						
11. Warehousing						
12. Traffic & transportation						
13. Materials handling						
14. Labor relations						
15. Employee relations						
16. Other (please list)						
_____						
_____						
_____						
II. Marketing Management						
1. Marketing research						
2. Marketing strategy						
3. Purchasing						
4. Inventory management						
5. Pricing						
6. Physical distribution						
7. Selling methods						
8. Sales promotion						
9. Packaging						
10. Site selection						
11. Traffic and warehousing						
12. Materials handling						
13. Other (please list)						
_____						
_____						
_____						

Management Responsibilities	Owner-Manager Skills & Experience		Key Assistant Skills & Experience		Partner Skills & Experience	
	Strength	Weakness	Strength	Weakness	Strength	Weakness
III. General Organization and Management						
1. Designing business systems and procedures for:						
Sales						
Warehousing						
Shipping						
Inventory						
Purchasing						
Cost Accounting						
Finance						
Credit and Collections						
Personnel						
Bookkeeping						
2. Organization planning						
3. Organization development						
4. Policy development						
5. Legal structure						
6. Public relations						
7. Personnel management						
8. Personnel development						
9. Recordkeeping						
10. General administration						
11. Other (please list)						
_____						
_____						
_____						
IV. Financial Management						
1. Financial statement preparation						
2. Financial statement analysis						
3. Financial planning, budgeting, and control						
4. Taxation management and reporting						
5. Accounting						
6. Credit and collection						
7. Capital investment						
8. Financing						

WHAT TECHNICAL ASSISTANCE DO YOU NEED?

The following questions will help you assess your strengths and weaknesses as an entrepreneur in each of the Management Categories. If your answer to a question is "Yes," count it a strength. If your answer is "No," consider your skill and experience for that task a weakness.

I. Manufacturing and Production (Answer questions in this category only if you are manufacturing or producing a product from raw materials.)

	Strength Yes	Weakness No
1. Do you know how to plan how much you will manufacture or produce?	____	____
2. Are you familiar with the manufacturing or production processes?	____	____
3. Are you able to make decisions about plant location?	____	____
4. Are you able to plan manufacturing or production space efficiently?	____	____
5. Are you skilled at planning for materials handling?	____	____
6. Can you handle the procedures and problems related to traffic and transportation?	____	____
7. Do you know how to provide for warehousing?	____	____

II. Marketing Management

1. Can you locate your potential customers and develop a profile of their buying habits?	____	____
2. Can you analyze your competition?	____	____
3. Can you develop a selling plan?	____	____
4. Have you identified the selling techniques you will use?	____	____
5. Can you develop and manage a sales promotion plan?	____	____
6. Are you skilled in conducting marketing research studies?	____	____
7. Do you know how to develop a product purchasing plan?	____	____
8. Are you experienced in purchasing?	____	____

	Strength Yes	Weakness No
9. Are you familiar with pricing procedures?	____	____
10. Can you plan and manage the physical distribution plan?	____	____
11. Do you know how to develop marketing strategies for your business?	____	____
12. Do you know where to get help with advertising?	____	____
13. Is your inventory system efficient?	____	____
14. Do you know how to select and deal with suppliers?	____	____
15. Can you make the necessary decisions about location, buildings, and equipment?	____	____
III. General Organization and Management		
1. If you need to hire an employee to help you, do you know how to search for and select one?	____	____
2. Do you know how to develop job descriptions for your firm?	____	____
3. Are you familiar with procedures for determining salaries, wages, and employee benefits?	____	____
4. Can you develop a personnel training program?	____	____
5. Are you skilled at supervising others?	____	____
6. Do you know how to appraise employees' performance?	____	____
7. Are you familiar with methods for motivating employees?	____	____
8. Do you know how to develop work schedules for yourself and your employees?	____	____
9. Do you know how to develop and manage company policy?	____	____
10. Can you plan a comprehensive security program?	____	____
11. Do you know a lawyer who can advise you on legal matters?	____	____
12. Can you set up and manage an information or recordkeeping system?	____	____
13. Do you know how to plan and manage public relations?	____	____

	Strength Yes	Weakness No
14. Are you experienced in long-range and short-range planning?	____	____
15. Can you develop a business plan?	____	____

IV. Financial Management

1. Do you know how much money you need to start up your business?	____	____
2. Can you develop the financial statements that are necessary for every business?	____	____
3. Do you know how to determine how much financing you need?	____	____
4. Do you know how much credit you can get from suppliers? How much you can borrow?	____	____
5. Can you figure whether your business is profitable?	____	____
6. Can you manage credit and collections?	____	____
7. Can you set up and keep your financial record system?	____	____
8. Do you know how to figure depreciation?	____	____
9. Can you manage your taxation program?	____	____

Unit 4
Level 2
Handout No. 2

SETTING UP A TECHNICAL ASSISTANCE FILE

Get a package of note cards and divider tabs. Set up a section of your file with a divider tab for each of the four categories of technical assistance:

I. Manufacturing and Production
II. Marketing Management
III. General Organization and Management
IV. Financial Management

Make a file card for each technical aspect of your business in which your skill or experience is weak. For example in Section II, Marketing Management, your first file card might be headed MARKETING RESEARCH if that is an area of weakness in your experience. Continue through the entire list of technical assistance possibilities in each category.

Discuss your decisions with your group members and check each others cards for accuracy.

SELF-EVALUATION TEST FOR STRENGTHENING YOUR SELLING SKILLS

Salespeople who take steps to improve themselves will go a long way. They are willing to build on their defeats and to learn from their failures. You, too, can learn by the simple process of self-analysis. You might be losing some sales only because you have certain weaknesses that you could and should correct. But it's not always easy to recognize exactly what you do that's wrong. Even your closest associates can't always help you. They don't know how you *think* and *act* when you're face to face with your prospects. Only you can know—through this self-evaluation test.

To determine how you can make every lost sale a lesson in selling, give yourself a periodic checkup—say on the first of every week or month. Make it a part of your self-improvement program. Use the following questions to evaluate your selling skills. Rate yourself honestly; check conscientiously. Don't cheat yourself with a biased rating. It can seriously hinder any chances of self-improvement.

What to Do: Here are eight ways you can evaluate yourself as a salesperson. If you do find any weak spots, take the necessary steps to strengthen them and eventually strengthen your selling skills.

(Check YES or NO for each question)	YES	NO
A. HOW SKILLFULLY DO YOU SELL?		
1. Do you learn as much as you can about your prospects before you call—particularly *why* they should buy what you want to sell them?	____	____
2. Do you start each interview by discussing something you know will interest your prospect—an offer of service, a promise of benefits, some significant news, or a sincere compliment?	____	____
3. Do you make a complete presentation of the benefits you can offer, and do you explain their significance to your prospect?	____	____
4. Do you ask questions to make sure your prospect understands and appreciates the benefits you offer?	____	____
5. When a prospect makes an objection, do you listen respectfully, repeat the objection in your own words, and then answer it before you go on with your presentation?	____	____
6. Do you anticipate possible price objections by stressing value and quality?	____	____
7. Do you build confidence by telling your prospect names of some of your well-known customers and how well satisfied they are?	____	____
8. Do you emphasize the service you will give when your prospect buys from you?	____	____
9. Do you sell through the eye as well as the ear—do you use all the selling aids available to you?	____	____

	YES	NO
10. Do you always ask for the order—do you emphasize benefits, value, and service when you close to make it easier for the prospect to say "Yes" than it is to say "No"?	____	____
B. DO YOU KNOW WHAT YOU'RE TALKING ABOUT?		
11. Do prospects and customers consider you an authority in your field?	____	____
12. Do you know at least five good reasons why a prospect should want to buy what you have to sell?	____	____
13. Do you know what your competitors are trying to sell?	____	____
14. Do you know why it would be more advantageous for your prospect to buy from you than from competitors?	____	____
15. Do you know the policies of your company?	____	____
16. Do you know what services you'll give customers that are superior to competitors' services?	____	____
17. Do you know the advertising program that supports your selling efforts—do you know exactly what it tells prospects and customers?	____	____
18. Do you read business publications to keep informed about trends that might affect your sales?	____	____
19. Do you study the sales literature given to you so that you learn every possible sales argument?	____	____
20. Do you systematically look for ideas and information that might be helpful to your customers, or might help you serve them more effectively?	____	____
C. DO YOU LOOK LIKE A SUCCESSFUL SALESPERSON?		
21. When you call on a prospect do you look like a smiling, cheerful, capable salesperson who is getting his/her share of sales and more?	____	____
22. Do you look confident, as though you know you can bring your prospect some benefits they'll be glad to have?	____	____
23. Do you walk erect, chin up, shoulders back?	____	____
24. Do you look alert and vigorously healthy—do you watch your diet and keep yourself trim?	____	____

	YES	NO
25. Do you always have a neat appearance—including well-groomed hair, clean hands and fingernails—so that nothing about you distracts your prospects while you're trying to sell them?	____	____
26. Do you always appear relaxed when you're with a prospect or customer, never tense or anxious?	____	____
27. If you smoke, do you always wait for your prospect or customer to be the first to light a cigar, pipe, or cigarette?	____	____
28. Are you careful to avoid exhaling a smoke screen, letting a cigarette dangle from a corner of your mouth, or frantically reaching for a cigarette at some tense point in the sales interview?	____	____
29. Do you avoid nervous hand habits such as adjusting your glasses, rubbing your nose, scratching your head, or bending paper clips?	____	____
30. Do you look prosperous?	____	____
D. DO YOU ACT LIKE A SUCCESSFUL SALESPERSON?		
31. Do you plan every sales call—do you have a specific reason for being there, never "just to drop in"?	____	____
32. Do you make your sales presentations with enthusiasm?	____	____
33. Are you aggressive—do you get your sales story to your prospects in every way you can?	____	____
34. Are you persistent—when prospects say "NO" do you keep on trying if you believe they're logical prospects?	____	____
35. Do you make more calls than the "average" salesperson?	____	____
36. Are you dramatic—a showperson—do you constantly look for fresh ways to dramatize your sales story?	____	____
37. Do you give your customers more personal service than your competitors do?	____	____
38. Do you cooperate wholeheartedly with your boss (and with everyone else in your company) whose work affects your selling or servicing?	____	____
39. Do you work longer hours than most salespeople?	____	____
40. Do you try to make each succeeding sales presentation a masterpiece—the best one you ever made?	____	____

	YES	NO
E. HOW SUCCESSFUL ARE YOUR HUMAN RELATIONS?		
41. Do you learn the name of all prospects—address them by name, use their names from time to time during your sales presentation?	____	____
42. Do you remember names of everyone in a customer's organization with whom you come in contact? Do you address the customer by name whenever you meet?	____	____
43. Are you friendly and cordial to everyone you meet?	____	____
44. Are you sincere? Do you avoid untruthfulness or exaggerations?	____	____
45. Are you reliable, do you keep your promises? Do you deliver as promised—or explain your unavoidable delays?	____	____
46. Are you a good listener? Do you listen without interrupting?	____	____
47. Do you resist temptation to talk about yourself—and never, never discuss any troubles you might have?	____	____
48. Are you tactful? Do you avoid telling a prospect, customer, or the boss, "You're wrong!"? Do you realize it's an irritating statement, and that there are more considerate and subtle ways to change a person's point of view when necessary?	____	____
49. Do you always say "Thank-you!" for orders, favors, or cooperation from various people in your company?	____	____
50. Do you remember birthdays, anniversaries, other important occasions, and send a card or note to let your customers and associates know you remembered?	____	____
F. HOW SUCCESSFULLY DO YOU CONTROL YOUR EMOTIONS?		
51. Do you try not to lose your temper—even when you think a prospect or customer treats you unfairly?	____	____
52. Do you accept responsibility for your own success and never blame "stupid prospects," unfair competitors, or anything else for your failure to make sales?	____	____
53. Do you refuse to feel sorry for yourself when you have a bad day—and, instead, analyze each presentation to determine how it could be improved?	____	____
54. When you begin to doubt your own ability to sell, do you review some of your selling successes and determine to repeat them?	____	____

	YES	NO
55. Do you try to keep your mind free from worry, and replace negative thinking with positive thoughts of success and how you can achieve it?	____	____
56. Do you face problems and solve them, instead of ignoring them and letting them become mountains?	____	____
57. Do you accept and profit from friendly criticism?	____	____
58. Do you handle necessary but less-challenging details of your work promptly and well, without complaining?	____	____
59. Do you start each day with an optimistic estimate of the sales you're going to make?	____	____
60. Do you analyze your own reactions from time to time; do you try to understand yourself so you can keep your emotions under control more successfully?	____	____

G. ARE YOU A GOOD ORGANIZER?

61. Do you study the sales potential of your territory—do you know where to find prospects who can give you the sales volume you want?	____	____
62. Do you plan your work each day so you know exactly what you intend to do and what you want to accomplish?	____	____
63. Do you organize your selling aids—do you make sure you have everything you need before you start out each day?	____	____
64. Do you plan to cover your territory so systematically that you waste no time between calls?	____	____
65. Do you plan to use the telephone and the mail systematically to contact prospects and customers more often?	____	____
66. Do you set a quota for yourself based on your knowledge of your territory (which may be larger than the volume of business your boss thinks you can sell)?	____	____
67. Do you handle paperwork you're required to do in an orderly, systematic manner?	____	____
68. Do you follow through at regular intervals after each sale to make sure your customer is satisfied and will keep on buying from you?	____	____
69. Do you ask yourself from time to time, "What's the most important thing you must do now?" and then do it?	____	____

	YES	NO
H. DO YOU THINK LIKE A SELLING PROFESSIONAL?		
70. Are you proud and happy to be a salesperson?	____	____
71. Do you believe selling is one of the most important professions in the world—because the success of salespeople provides jobs for millions of people, enables them to pay bills, educate their children, and afford some pleasures?	____	____
72. Do you know that business conditions are constantly changing—that yesterday's ways of selling are not always the best today?	____	____
73. Do you continually try to update your selling techniques?	____	____
74. Do you try to improve your ability to communicate your ideas to prospects and customers more effectively?	____	____
75. Have you taken courses in selling, public speaking, creative thinking? Have you read more than one book on salesmanship during this past year?	____	____
76. When you read books on selling or listen to discussions of selling methods, do you look for ideas you can adapt to your own work? Do you try them?	____	____
77. Do you study the sales material given to you by your boss? Do you apply it to your work as your boss suggests? Do you try to get everything you can out of sales meetings?	____	____
78. Do you try to contribute as much as you can to the success of those meetings?	____	____
79. Do you try to increase your success by (1) analyzing your own work each month; (2) planning a systematic self-improvement program?	____	____

YOUR RATING (Jot down your rating on this line) _____

HOW TO RATE YOURSELF; Add your "NO" answers, multiply the total by 10, and deduct this total from 100.

THIS CHART SHOWS THE RESULT OF YOUR SELF-EVALUATION—IT WILL HELP YOU SELL UP TO YOUR FULL POTENTIAL.

Make a dot in each column to show the rating you gave yourself for that particular numbered test. Then, draw a line from each dot to the next.

The graph you get will reveal both your weaknesses and your strong points. You'll know what to eliminate and what to strengthen—if you want to sell to your full potential and win more customers.

GRAPHIC SELF-EVALUATION CHART

Percentage Scale	How skillfully do you sell?	Do you really know what you're talking about?	Do you look like a successful salesperson?	Do you act like a successful salesperson?	How successful are your human relations?	How successfully do you control your emotions?	Are you a good organizer?	Do you think like a selling professional?
100								
90								
80								
70								
60								
50								
40								
30								
20								
10								

(Adapted from a "Self-Evaluation Test for Strengthening Your Selling Skill," developed by the Bureau of Business Practice on the National Sales Development Institute, pp. 28-35)

Unit 14
Level 2
Handout No. 2

SALES DEMONSTRATION RATING SHEET

Name _____ Type of Merchandise Sold _____

	Poor	Fair	Good	Excellent	Judged Points
APPROACH: (Possible Points-10) 1. Alertness (2 pts.) 2. Sincerity (2 pts.) 3. Approached the customer correctly for a selling situation (2 pts.) 4. Used an appropriate greeting (2 pts.) 5. Appearance (2 pts.)	0-1-2	3-4-5	6-7-8	9-10	_____
PRESENTATION: (Possible Points-25) 1. Was presentation clear? (5 pts.) 2. Were benefits shown? (5 pts.) 3. Was customer given an opportunity to talk and ask questions? (5 pts.) 4. Was sufficient merchandise information given? (5 pts.) 5. Was presentation too rapid or too slow? (5 pts.)	0-7	8-14	15-22	23-25	_____
HANDLING OBJECTIONS: (Possible Points-15) 1. Was each objection answered? (5 pts.) 2. Was tact used in handling objections? (5 pts.) 3. Was customer given an opportunity to voice objections? (5 pts.)	2-3-4	6-7-8	10-11-12	13-14-15	_____
VOICE: (Possible Points-15) 1. Was volume too loud or too soft? (5 pts.) 2. Was voice clear? (5 pts.) 3. Was tone varied or monotonous? (5 pts.)	2-3-4	6-7-8	10-11-12	13-14-15	_____
CLOSE: (Possible Points-20) 1. Was close smooth and natural? (10 pts.) 2. Did participant take advantage of opportunities to close? (10 pts.)	1-3-5	6-8-10	11-13-15	16-18-20	_____
SUGGESTION SELLING: (Possible Points-15) 1. Was this a smooth and natural part of the sale? (5 pts.) 2. Did participant select a proper related item to suggest? (5 pts.) 3. Was the timing proper for the suggestion of a related item? (5 pts.)	2-3-4	6-7-8	10-11-12	13-14-15	_____
TOTAL POSSIBLE POINTS-100				TOTAL JUDGED POINTS	_____

PROFIT AND LOSS STATEMENT
For the Year Ending December 31, 19–

Gross sales		$_____
Less: Sales returns and allowances		_____
Net sales		$_____
Cost of goods sold:		
Beginning inventory	$_____	
+ Purchases	_____	
= Gross available for sale	_____	
- Ending inventory	_____	
= Cost of goods sold	_____	_____
Gross profit (margin)		$_____
Expenses:		
Wages and salaries	$_____	
Owner salary	_____	
Interest	_____	
Rent	_____	
Insurance	_____	
Advertising	_____	
Miscellaneous expenses	_____	
Depreciation	_____	
Total expenses		_____
Net profit		$_____

Unit 16
Level 2
Handout No. 2

BALANCE SHEET
December 31, 19--

Assets

Current assets:			
Cash	$_____		
Inventory	_____		
Accounts receivable	_____		
Total		$_____	
Fixed assets:			
Store fixtures and equipment	$_____		
Less: Accumulated depreciation	_____		
Current value		$_____	
Delivery truck	$_____		
Less: Accumulated depreciation	_____		
Current value		$_____	
Total assets			$_____

Liabilities and Net Worth

Current liabilities:			
Accounts payable	$_____		
Accrued wages	_____		
Total		$_____	
Fixed liabilities:			
Notes payable		_____	
Total liabilities			$_____
Owner's equity:			
Proprietor net worth			$_____
Total liabilities and net worth			$_____

MODEL
ACTIVITY RESPONSES

Note to Instructor:

This section contains suggested responses for module activities. The instructor should use judgement for those activities where there is no single response.

MODEL ACTIVITY RESPONSES

An independent enterprise is different from a branch operation in that there is—

- Higher capital investment
- Better sales/employee ratio
- Higher employee salaries

Construction fits in the

- Service industry segment

Trends to consider and actions to take include

- Average salary
- Average growth area
- Average number of employees
- Best geographical environment
- Locating close to raw materials, labor, etc.
- Locating away from competition

A short contingency plan to increase sales could include

- New market segments, more diverse products, different distribution channels, etc.

MODEL ACTIVITY RESPONSES

BUSINESS PLAN CHECKSHEET

Questions	Answer in Business Plan for MARINER'S CATCH	Answer Clear	Answer Complete
1. Description of Business			
a. type of businesses	- both retail (60%) and wholesale	Yes	Yes
b. product or services	- fish market—"fish off the boat"	Yes	Yes
c. type of opportunity	- expansion (wholesale business, retail business) seasonal (wholesale business)	Yes	Yes
d. promise of success	- consistent & increasing wholesale business can be improved by more direct selling	Yes	Yes
e. growth opportunities	- high profits in wholesale business; quality of seafood exceptional; many friends in seafood industry	Yes	Yes

Comments: If 60 percent of present business is retail, and demand there is seasonal according to weather and tourist traffic, then increasing the more steady wholesale business where profits are higher should increase profit. The business is established and well received in the area.

2. Marketing Plan			
a. potential customers	- the market within 25 miles of the business is over 100,000 retail and 300 wholesale customers	Yes	Yes
b. attract and hold customers	- direct contact to wholesalers, word-of-mouth recommendations of customers	Yes	Yes
c. competition	- three competitors, each with some weakness that MARINER'S can cash in on	Yes	Yes
d. sales promotion	- local radio and newspaper campaign	Yes	Yes
e. suppliers	- MARINER'S pays premium prices in cash, good relations with suppliers	Yes	Yes
f. location	- heavily traveled tourist route	Yes	Yes
g. factors influencing location	- near dock, option to buy building	Yes	Yes
h. features of location	- low rent, cement floors	Yes	Yes
i. building features	- MARINER'S has improved the building, walk-in freezer and new paneling	Yes	Yes
j. features of layout	- good selling and preparation space and extra space for converting as needed	Yes	Yes

Comments: The marketing plan appears well-planned. The competition appear to be vulnerable where MARINER'S wants to become strong. Good relationships with suppliers, strong location and building features, and low rent are all positive factors.

BUSINESS PLAN CHECKSHEET (Continued)

Questions	Answer in Business Plan for MARINER'S CATCH	Answer Clear	Answer Complete
3. Organization Plan			
a. manager	- Swanson and Switzer will work as team; each well-qualified for assigned role	Yes	Yes
b. manager qualified	- both are well-qualified (see experience summaries)	Yes	Yes
c. employees needed	- one part-time salesperson within six months; one cutter, as needed	Yes	Yes
d. plans for hiring, pay, benefits, training, supervision	- described under "Personnel": wages, fringes, benefits. No mention of training or supervision.	Yes	No
e. financial management	- no mention of financial management plans	No	No
f. manage recordkeeping	- a CPA named as a resource	Yes	No
g. consultants/specialists	- several specialists and consultants are mentioned	Yes	Yes
h. legal structure	- corporation, with board of directors, doesn't mention stockholders	Yes	No
i. licenses & permits	not mentioned	No	No
j. regulations	not mentioned	No	No

Comments: The plan addresses management personnel and their qualifications, describes personnel employment plans, and identifies consultant and specialist resources. Although the legal structure is not mentioned specifically, the company name includes "Inc." and the members of the board are mentioned. The absence of information about financial management and recordkeeping is not unusual in a Business Plan. The care with which this Business Plan is developed gives evidence that the company is well managed.

4. Financial Plan			
a. estimated income for first year	- Annual Projected Income Statement, Year 1: -$684 (loss); Year 2: $5,183 (profit); Year 3: $4,750 (profit)	Yes	Yes
monthly for first year	- Monthly Projected Income Statement	Yes	Yes
quarterly for first year	- Quarterly Projected Income Statement	Yes	Yes
b. cost to open business	- Sources and Applications of Cash	Yes	Yes
c. monthly cash flow	- Monthly Cash Flow Projection	Yes	Yes
quarterly cash flow for years 2 and 3	- Quarterly Cash Flow Projection	Yes	Yes
d. personal monthly budget	- Salaries are given for two years	No	No
e. estimated sales volume for 3 years	- Annual Projected Income Statement	Yes	Yes
f. break-even point	- Break-even Analysis	Yes	Yes
g. projected assets, liabilities, net worth	- Beginning Balance Sheet	Yes	Yes
h. capital value of equipment	- Capital Equipment List	Yes	Yes

BUSINESS PLAN CHECKSHEET (Continued)

Questions	Answer in Business Plan for MARINER'S CATCH	Answer Clear	Answer Complete
4. Financial Plan (continued)			
i. total financial needs	- Sources and Applications of Cash	Yes	Yes
j. potential funding sources	- Sources and Applications of Cash	Yes	Yes
k. application of funds	- Sources and Applications of Cash	Yes	Yes
l. security for loan	- Sources and Applications of Cash At bottom of page: Assets of the business and SBA guarantee	Yes	Yes

Comments: Analysis of the financial reports shows that the company will be able to weather the first two years after expansion, sustaining a small loss the first year, but building back to a $4,750 net profit in the third year after the salaries of Swanson and Switzer have returned to normal. The cash flow estimate shows decreases but promises to maintain an acceptable level. The Break-even Analysis appears realistic. The sources and amounts of loans needed and the application of funds appear realistic.

MODEL ACTIVITY RESPONSE

Case Study

Before he invested his money in the property, Frank could have employed a real estate appraiser in Anderton, Oregon to assess the value of the land.

He might have checked with the Anderton Chamber of Commerce, the Retail Merchant's Association, or a local banker about the feasibility of his idea to open a business in that town.

He should have developed a business plan for the business before moving to Oregon and investing his savings.

He could have employed a lawyer or a business consultant in Los Angeles to investigate the offer before he invested any money other than that necessary for technical assistance.

MODEL ACTIVITY RESPONSES

Case Study

1. The six C's used for evaluating credit applicants are: (1) character, (2) capital, (3) capacity, (4) collateral, (5) circumstances, and (6) coverage.

2. Although Jim probably made a good "character" impression on the loan officer because of his standing in the community, Jim failed most of the other criteria in the six C's evaluation. First of all, Jim's capital was much too low—$1,000 in savings is not enough to convince the bank that it would be a good idea to loan him the money. Next, Jim's plans for the business are sadly lacking in capacity. He has neither planned for the financial end of the business, nor has he planned for his marketing strategies. His only plans are to "organize a community music festival." With a high unemployment rate in the area, the circumstances surrounding Jim's potential business are also not very favorable. Musical instruments and instruction are usually considered luxuries—and most people can't afford such items when they're unemployed. Finally, Jim has no plans for protecting his business. Thus he had no "coverage"—the final evaluation criteria.

3. To improve his loan potential, the first thing that Jim needs to do is design a strong business plan. He needs to plan his marketing strategies in light of the products and services he will offer and the customers he will have. He needs to know where to locate the business, and how to protect it. In addition, he needs to design a more structured financial plan for the business and obtain additional capital. Only when he has a complete business plan prepared should Jim return to a loan office.

4. Since Jim is a music teacher, his first alternative action might be to contact the local teachers' credit union. If this isn't possible, he might try a local bank, a savings and loan, or an insurance agency. His other options include seeking federal loan assistance.

MODEL ACTIVITY RESPONSE

Case Study

Jill is more interested in the "doing" side of the business. However, as an owner/manager, her energies need to be directed toward planning. She should delegate routine duties and spend more time with planning, organizing, directing, and controlling the business. Small business owners need to plan too. Otherwise, they may not be in business very long.

MODEL ACTIVITY RESPONSES

1. job analysis
2. employee references
3. application form
4. interview
5. references
6. on-the-job
7. autocratic
8. communicator
9. extrinsic
10. newsletter

MODEL ACTIVITY RESPONSE

Case Study

When Jay first starts his business, he may find that he is able to keep his business records even though he doesn't have an accounting background. His accounting courses should have covered the basic information he will need to keep the books at this time.

Jay will need to maintain a number of records on his small business. He may want to keep journals or entries of income and expenses, ledgers or books on various customer accounts, and inventory records. If he hires someone to help him in the store, he'll also have to establish some sort of payroll record system.

MODEL ACTIVITY RESPONSES

PROFIT AND LOSS STATEMENT
For the Year Ending December 31, 19–

Gross sales		$260,000
Less: Sales returns and allowances		10,000
Net sales		$250,000
Cost of goods sold:		
Beginning inventory	$ 40,625	
+ Purchases	169,000	
= Gross available for sale	209,625	
- Ending inventory	50,000	
= Cost of goods sold	159,625	$159,625
Gross profit (margin)		$ 91,475
Expenses:		
Wages and salaries	$ 19,600	
Owner salary	15,000	
Interest	10,800	
Rent	2,400	
Insurance	200	
Advertising	2,000	
Miscellaneous expenses	1,500	
Depreciation	6,500	
Total expenses		$ 87,000
Net profit		$ 4,475

BALANCE SHEET
December 31, 19–

Assets

Current assets:			
Cash	$ 14,475		
Inventory	50,000		
Accounts receivable	75,000		
Total		$139,475	
Fixed assets:			
Store fixtures and equipment	$ 60,000		
Less: Accumulated depreciation	5,500		
Current value		$ 54,500	
Delivery truck	$ 7,000		
Less: Accumulated depreciation	1,000		
Current value		$ 6,000	
Total assets			$199,975

Liabilities and Net Worth

Current liabilities:			
Accounts payable	$169,000		
Accrued wages	2,000		
Total		$171,600	
Fixed liabilities:			
Notes payable		10,000	
Total liabilities			$181,600
Owner's equity:			
Proprietor net worth			$ 18,375
Total liabilities and net worth			$199,975

MODEL ACTIVITY RESPONSES

Case Study

1. $500
2. 50 days
3. Higher
4. Identify accounts that are overdue beyond forty days and reasons for thirteen late payments.
5. Initiate policies and procedures to collect overdue accounts.

MODEL ACTIVITY RESPONSES

Case Study

Possible policies and procedures

1. Checks accepted for amount of purchase only, with two forms of identification. No two-party or payroll checks. Ten dollar fee on all returned checks.
2. Give all customers personal attention. Inventory items must be shown by a salesperson. No self-service.
3. All employee purchases are to be made before or after store hours.
4. All inventory items removed from display windows nightly and placed in the store safe.

Mechanical equipment

1. Safe
2. Alarm system
3. Locked, closed display cases
4. Protected doors/iron grates

Insurance needed

1. Liability insurance
2. Casualty insurance
3. Fire insurance on inventory and fixtures

MODEL
ASSESSMENT RESPONSES

Note to Instructor:

This section contains the questions and suggested answers to be used as an assessment of student competency at the completion of each module. These questions are the same as found at the end of each module.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. How can statistics help you make an informed decision?
2. What is the difference between an establishment and an enterprise?
3. What is the Standard Industrial Classification code?
4. What are the traditional small business industries?
5. What products are small manufacturing firms likely to produce?
6. If you were going to open a small manufacturing business, what are some of the questions you would need answers to before starting the business?
7. How might the Small Business Administration be helpful in answering the questions?
8. Where else besides the Small Business Administration might you go for help in answering the questions?
9. What role do wholesalers play in bringing goods to the marketplace?
10. What are three basic types of wholesalers?
11. Why might wholesaling be difficult for a first-time entrepreneur?
12. Is retailing traditionally an area for small business endeavors? Why or why not?
13. What might be some of the causes for failure in a small retail business?
14. What are some typical service industry businesses?
15. Why does the marketplace affect service businesses so critically?
16. Why does the marketplace affect service businesses so critically?
17. Why is the service industry expected to grow in the 1980's?
18. What is the single biggest cause of business failure?
19. How can we find opportunities for becoming small business entrepreneurs?

20. Can we develop entrepreneurial skills?

21. How might you decide if your "idea" for a small business invention or new combination of old products and services is worthwile pursuing?

22. What are some ways that new businesses get started?

23. How do supply and demand affect the economy?

24. How does competition affect supply and demand?

25. What are the major factors that affect the success or failure of a small business?

MODEL ASSESSMENT RESPONSES

1. Statistics should be used to study trends and to generate specific thinking, but not as the source for specific answers to specific questions in a specific situation.

2. An establishment is a location of business activity. An enterprise is an individually owned and operated establishment which may do business at more than one location.

3. The Standard Industrial Classification code is the method developed by the government to classify and survey all business activity in the United States.

4. The traditional small business industries include wholesale trade, retail trade, agriculture, forestry, fishing, construction, and services.

5. Small manufacturing firms are more likely to produce leather products, apparel, and furniture. These are industry segments where the fixed assets are relatively low.

6. Before opening a small manufacturing business it would be wise to obtain specific information on wages, employees, equipment, facilities, raw materials, and energy costs in the specific segment under consideration. Discover information about the customers' buying patterns; find out the competitions' weaknesses in serving customers' needs; determine if the contemplated product or process is more unique, cheaper, faster, or better than the existing product or process.

7. The SBA can provide a wealth of statistical data on all aspects of opening and running a small business—by industry, by geographical area, and by possibilities of capital and labor resources.

8. Besides the help SBA can provide, an entrepreneur can get help from industry associations, trade magazines, other companies, customers, and professional consultants.

9. Wholesalers are the middlemen who move goods from the manufacturer to the retailer or, many times, from the original manufacturer through several layers of "finishers" who get the product ready for the retailer to sell to the consumer.

10. The basic wholesaling types of business are: merchant wholesalers, manufacturers' sales branches, and merchandise agents and brokers.

11. Wholesaling can present difficulties to the beginning entrepreneur in that the buying and selling patterns are not always immediately obvious. Wholesaling can, however, be learned and will often provide a "safer" risk than manufacturing or retailing.

12. Retailing is traditionally a small business industry.

13. Small business competes very well in retailing because of the need for many locations, great variety in merchandise offered, and availability of good labor.

14. Some of the causes for failures in small retail business would include: recessionary economy, small size and young age of the enterprise, or failure to meet changing market needs.

15. Some typical service industry businesses are hotels, motion picture theaters, health care facilities, law practices, auto repair shops, and so on.

16. Service businesses are critically linked to the marketplace because of the personal nature of the need they fulfill.

17. The service industry is expected to show growth in the 1980s because of its great variety of choices for would-be entrepreneurs in start-up costs, lead time, and legal ease of entry. In addition, the leisure time and discretionary income of Americans are both expected to grow. These are trends that will increase the demand for services such as travel, education, and entertainment.

18. The single biggest cause of business failure is mismanagement by the entrepreneur.

19. Ideas for small business opportunities are available from organizations that sell or rent ideas; magazines and companies that will help find the right idea; classified pages of the newspaper; and personal observations of the marketplace and its needs.

20. Entrepreneurial skills can be learned and practiced by making use of some of the written material that is available for study; by practicing previously successful methods within personal experience; or by obtaining assistance from sources who have either the academic or practical credentials for success.

21. Evaluating an idea for a small business opportunity begins with a simple process of deciding whether or not the business venture is legal, ethical, enjoyable, and adaptable to the life-style and resources of the entrepreneur. If it meets all of the initial screening criteria, more formal evaluation involving the steps learned in this chapter would be used to evaluate the business potential of the idea itself.

22. Some businesses get started very haphazardly as an outgrowth of some personal, professional, or social activity. Others are planned enterprises that might result from the entrepreneur "happening" upon a discovery or actually consciously seeking out opportunities.

23. Supply and demand determine production and employment levels because the supply produced is governed by the "need" exhibited in the marketplace. Guessing at future needs is where entrepreneurship finds its niche.

24. Competition among suppliers works to ensure a variety of goods with sufficient quantity available at reasonable prices.

25. The major factors that affect the success and failure of small businesses include: competence of the entrepreneur; viability of the product or service in the marketplace; availability of capital; management of the business; and proper goal setting in business planning.

ASSESSMENT

Directions: Read the following questions. Answer each question to check your knowledge of the topics presented in this unit. When you are finished, ask your instructor to check your answers.

1. What are some of the entrepreneurial hats you will have to wear to run your own small business?

2. Which of the entrepreneurial character traits do you think will be most important to you in running a small business?

3. What are some of the motives you feel you would have for starting your own company?

4. What do you think would be your biggest problem in running your own business?

5. What type of business opportunity will you be most likely to consider if you start your own company? Why?

6. What experience do you have or do you expect to gain that will be useful, should you start your own company?

7. What area of running a business (which entrepreneurial hat) do you think you would most likely want to hire an expert to handle for you?

MODEL ASSESSMENT RESPONSES

1. The answers should reflect the student's grasp of the wide range of duties listed in the chapter, and should reflect an understanding of what areas of skills are needed to perform the function. For example, an answer of "salesperson" could be understood to require good "affective" skills because sales require good communications. Salespersons might also need good "cognitive" abilities to be able to identify the problems of the customer and offer possible solutions. (See transparency for Table 2—list of entrepreneurial hats.)

2. The character traits might include: tough-mindedness, hard-working, self-confident, reasonable risk-taking, flexibility, creativity, goal-setting, problem solving, profit-motivated, enthusiastic, or any other trait the student has identified that seems reasonable.

3. Some of the motives for starting your own business would include: money, independence, self-satisfaction, achievement, competition. The student may also rightly list: because the opportunity exists through family resources; because the family wishes he or she would take over the family business, or any other reasonable answer.

4. Some of the biggest problems of running a business might include: less money in the beginning, longer hours, not enough support from peers, inexperience, family antagonism, or any other reasonable problem the student might perceive from personal evaluation.

5. The answer should include the type of legal entity, the way in which market entry would be effected, and the type of product or service.

6. The student should be specific in listing experience that will be useful in running a business. This might include: time spent doing bookkeeping, writing copy for school newspapers, working as a stock clerk in a store, or any experience related to the list of entrepreneurial hats in the text.

7. The answer should reflect the student's knowledge of his or her own strengths or weaknesses in the affective, cognitive, or manipulative areas of running a business. An example would be hiring a security guard due to the lack of the "manipulative" skills necessary to perform that function efficiently, safely, and legally.

ASSESSMENT

A. On a separate piece of paper, number from 1-20. Place a check next to the number for every statement that describes a contribution that the Business Plan makes to the entrepreneur.

1. Provides records for federal income tax returns
2. Helps establish a credit rating for the business
3. Leads to a sound business structure
4. Helps the buyer select merchandise
5. Provides arguments for buying a franchise
6. Clarifies financial needs
7. Serves as a communication tool
8. Helps set up employee interviews for employment
9. Identifies a management pathway
10. Produces a marketing plan

B. Classify each of the following questions into the proper category by matching the section number (Roman numeral) to the questions.

Sections

I. Description of the business
II. Marketing plan
III. Organization plan
IV. Financial plan

Questions

11. How will you promote sales?
12. What type of business opportunity is it?
13. How are your competitors currently prospering?
14. What are the features of the location?
15. Who are your best suppliers?
16. What is the break-even point?
17. How will you control finances? Keep records?
18. What will it cost you to open your business and sustain it for 18 months?

19. What are the factors you considered in building requirements?

20. Who will manage the business?

MODEL ASSESSMENT RESPONSES

Contributions that the Business Plan makes to the entrepreneur.

____ 1.
____ 2.
_X_ 3.
____ 4.
____ 5.
_X_ 6.
_X_ 7.
____ 8.
_X_ 9.
_X_ 10.

The Student Module gives the following ways in which a Business Plan helps entrepreneurs:

*leads to a sound business structure (3)
*produces a marketing plan (10)
*clarifies financial needs (6)
*identifies a management pathway (9)
*serves as a communication tool (7)

Classification of questions into the proper category.

_II_ 11.
_I_ 12.
_II_ 13.
_II_ 14.
_II_ 15.
_IV_ 16.
III 17.
_IV_ 18.
_II_ 19.
III 20.

Question 12 is related to the Description of the Business
Questions 11, 13, 14, 15, and 19 all relate to the Marketing Plan
Questions 17 and 20 are related to management in the Organization Plan
Questions 16 and 18 relate to the Financial Plan

ASSESSMENT Directions. Explain in your own words each of the following statements about technical assistance.

1. You cannot expect to know all you need to know about an entrepreneur's job—even after you become experienced.

2. One way to organize the wide variety of assistance available to you is to use the four broad categories of business management as "containers" for classifying the services you might need.

3. The most efficient way of determining your need for technical assistance is to evaluate your own level of skill and experience and that of your key subordinates or partners.

4. Once you have identified strengths and weaknesses for each management category, you should highlight the weaknesses with red ink.

MODEL ASSESSMENT RESPONSES

1. You cannot expect to know all you need to know about the entrepreneur's job—even after you become experienced. Owning and managing a business requires skills and experience in the four major categories of business management: manufacturing and production, marketing, organization and management, and finance. Although every entrepreneur should be highly skilled in one or more areas, he or she will not be likely to have the time to become expert in all four areas—even with experience. Because there is so much to know, the entrepreneur should always expect to use technical assistance from outside the firm.

2. One way to organize the wide variety of technical assistance available to you is to use the four broad categories of business management as "containers" for the classification of services. In order to tap the reservoir of assistance, you need to organize your business activities so that you can determine if you need help. The major classifications of business management make it easier to think of all the activities in each category in an organized manner.

3. The most efficient way of determining your need for technical assistance is to evaluate your own level of skill and experience and that of your key subordinates or partners. If you evaluate your own skill in each activity that you will have to manage, you will see which areas are your weak spots. If your subordinates or partners are also weak in the same places, then you know in advance that you will be prepared to seek assistance outside the company when the need arises.

4. Once you have identified strengths and weaknesses for each management category, you should highlight the weaknesses with red ink. Using red ink to mark your weaknesses is like raising a red flag to signal danger. The red flags mark the potential danger areas—areas where you should be prepared to seek technical assistance.

ASSESSMENT Directions: Read the following questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency.

1. Identify characteristics of the following types of partners in a partnership:
   - General partner
   - Silent partner
   - Dormant partner
   - Nominal partner

2. List the main characteristics of a public corporation and a closed corporation.

3. Describe conditions under which you would want to offer common stock.

4. Identify types of services a franchisor may provide to a franchisee.

5. It is important that you are able to identify sources available to aid you in choosing a type of ownership. Identify at least six sources you could use to aid you in making a decision.

6. Identify at least five factors that influence the choice of a type of ownership.

MODEL ASSESSMENT RESPONSES

1. Identify characteristics of the following types of partners in a partnership:

   a. General partner—The general partner contributes financially to the partnership and works actively in the business. All partnerships must have at least one general partner for liability purposes; they share in the unlimited liability for the firm. General partners get an equal share of any profits. In choosing a general partner, you would be looking for a particular individual to share your business venture. This particular person should possess the skills you lack and should be willing to share the financial risk and management responsibility.

   b. Silent partner—A silent partner serves as a source of capital by investing money in the business in the hope of financial return. The silent partner does not take an active part in the management of the business, but is publicly known to be a partner.

   c. Dormant partner—This type of partner invests in a full share of the business, but does not take an active part in management and is not known by the general public.

   d. Nominal partner—This individual is not a real owner in the business. The nominal partner is generally someone well-known in the community who allows his or her name to be associated with the business for promotional purposes.

2. List the main characteristics of a public corporation and a closed corporation.

   Public Corporation—

   - Stock is made available to anyone who wants to make a purchase.
   - The value of stock is determined by the price (market value) that the public will pay, rather than by the determination of value by a small group as in the closed corporation.

   Closed Corporation—

   - Usually the group of owners is few in number.
   - If stock is sold, it is sold to someone who already owns part of the stock. Therefore, control of the company does not extend beyond existing stockholders.
   - The option of issuing bonds and new stock is not usually used.

3. Describe conditions under which you would want to offer common stock.

   Generally common stock is issued as a means of raising capital. The selling of stock is also a means of spreading control of the corporation if so desired. Owners of common stock usually have full voting rights in any decisions of the company. They do not receive a stated dividend, but do get a share of any profits that are made. In other words, the dividend may vary or may not be paid at all in bad times depending on the earnings of the corporation that quarter.

4. Identify the types of services a franchisor may provide to a franchisee.

   Most franchisors provide many services to the franchisee. One of the most important services a franchisor provides is credit to the franchisee. Credit can be in the form of inventory or in the form of loans.

   Franchisees normally receive special training before opening the business and also might receive continued managerial assistance such as audits, record-keeping systems, and tax advice. Franchisees also receive merchandising assistance and the benefit of national advertising and promotion done by the parent company. All these services are helpful to entrepreneurs who want to be their own boss but who may lack expertise in some areas of management, marketing, finance, or personnel.

5. It is important that the students are able to identify sources available to help them choose a type of ownership. Have them identify at least six sources they could use in decision making.

   The response should include some or all of the following:

   - Small Business Administration
   - Local Chamber of Commerce
   - Local bank
   - Better Business Bureau
   - Federal Trade Commission
   - Consumer magazines
   - Entrepreneurs you know who are in similar businesses
   - Public library

6. The response should include at least five answers. These, and others, are possible answers:

   - Start-up costs
   - The amount of control you desire
   - The amount of personal risk you are willing to assume
   - Need for assistance in particular areas
   - Need for continuity
   - Need for flexibility

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Define the marketing concept.
2. Differentiate between a seller's market and a buyer's market.
3. List five factors that must be considered when selecting a target market.
4. Describe the three types of markets in our economy.
5. Identify the five steps in analyzing market information and describe the activities to be completed in each step.
6. Identify two alternative strategies available to entrepreneurs for each of the four marketing mix elements:
7. Outline the components of a marketing plan.

MODEL ASSESSMENT RESPONSES

1. The marketing concept stresses customer satisfaction and long-term profits as the basis for management decision making.

2. In a seller's market, few products, limited competition, and high consumer demand give businesses a great deal of control. In a buyer's market, consumers are well informed and have many products to choose from; therefore consumers are quite powerful in the marketplace.

3. a. Characteristics of customers (wants, needs, demographic characteristics)
   b. Costs of selling to a group
   c. Anticipated sale volume
   d. Size and number of competitors
   e. Resources required to serve the market

   (Many other specific factors could be listed as well)

4. Consumer market—individuals who purchase for their own consumption
   Industrial markets—purchasers who buy for resale or to use in the operation of a business
   Nonbusiness organizations—groups or institutions with nonprofit service goals

5. Recognize the problem—identify the primary problem rather than its symptoms.
   Make a preliminary investigation—review information available inside and outside of the business.
   Gather factual information—gather information from discussions with experts or market research.
   Interpret the information—analyze the meaning of the information to identify possible solutions.
   Reach a conclusion—select the best all-around solution and implement it.

6. Several alternatives are available for each mix element. Review the list provided within the unit.

7. Market description
   Marketing objectives
   Competition
   Environment
   Marketing mix
   Budget

ASSESSMENT

Directions: Read the following test items. Answer each item to check your knowledge of the topics presented in this unit. When you have completed the items, ask your instructor to check your answers.

1. Identify and explain the three general factors that should be considered when analyzing a geographic area as a possible location for a business.

2. Identify and explain five factors that should be considered when selecting sites for the following types of firms:

   - retail
   - wholesale
   - service
   - manufacturing

3. Determine the steps to be followed when planning the selection of a business site.

4. List five sources of assistance or information available to help small business owners plan site selections. Describe the type of assistance or information from each source.

5. Discuss the factors considered in the appraisal of property when purchasing a business.

MODEL ASSESSMENT RESPONSES

1. Economics is the first general factor to consider when analyzing a geographic area. The economics of the area will include the type and number of industries. The financial condition of the industries and the movement of businesses in and out of the area are also included. The second general factor to consider is the population. Characteristics such as income and age levels, location of residential areas, and educational attainment are elements to study. A third factor concerns competition. Businesses that provide similar or substitute products and services are in competition. The number, type, and location of competitors need to be identified. Managerial qualities of competitors can also be assessed.

2. Factors to consider when selecting *Retail* sites include: location of customers, traffic patterns, compatibility of neighboring stores, public transportation, and parking facilities.

   Factors to consider when selecting *Wholesale* sites include: access to major highways, zoning laws, physical facilities, quality of local utility services, and financial condition of area retailers.

   Factors to consider when selecting *Service* sites include: nature of the service, compatibility of neighboring stores, zoning, and easy access to customers.

   Factors to consider when selecting *Manufacturing* sites include: access to the market, availability of raw materials, quality of labor supply, community services, and community attitudes towards the business.

3. Steps to follow when selecting a business site would include—

   - Selecting a general area for consideration.
   - Studying several locations within the general area.
   - Establishing site selection criteria.
   - Rating each site.
   - Reviewing your ratings and deciding.

4. Acceptable responses would include some of the following sources:

   - Small Business Administration
   - Chambers of Commerce
   - Trade Associations
   - Economic Development Agencies
   - Other Small Business Owners
   - Consulting Firms
   - Colleges

5. Factors to consider when appraising a business for purchase should include the reasons the owner wants to sell, profit potential, reputation with current customers, market value of assets, and reasonableness of asking price.

ASSESSMENT

Directions: Read the following questions about financing the business. These questions are for you to check your knowledge about this topic. When you feel ready, ask your instructor to assess your knowledge on them.

1. Explain how to determine the different types of costs that must be considered when starting a new business.

2. Compare the advantages and disadvantages of the various sources of financing for a new business.

3. Describe the sources of loans that may be available for financing a new business.

4. Describe the information that must be provided in a loan application package.

5. Explain the criteria used by lending institutions to evaluate loan applicants.

MODEL ASSESSMENT RESPONSES

1. Some of the different types of business costs are startup costs (business license, starting inventory and equipment, initial advertising costs); operating expenses (rent, utilities, inventory, payroll); and personal expenses (rent or house payments, food costs, clothing expenses, and so on).

2. Equity financing:

Advantages

- all profits are the possession of the owner;
- reduces the amount of money that must be borrowed; thus the amount of interest to be paid is reduced;
- gives the entrepreneur motivation and incentive to succeed;
- shows good faith and confidence on the part of the owner when applying for a loan or other credit arrangements.

Disadvantages

- owner takes the risk of losing his or her savings;
- owner may be forced to sacrifice his or her life style;
- owner loses the interest earning potential of his or her savings.

Debt financing:

Advantages

- may be quicker and easier than equity financing;
- borrowing can actually *save* money in certain circumstances;
- interest and other costs are tax deductible.

Disadvantages

- borrowing is usually expensive;
- it is easy to borrow more than can be repaid;
- lender usually places restrictions on the borrower.

3. Sources of loans for new businesses include banks, credit unions, commercial finance companies, consumer finance companies, life insurance companies, savings and loan associations, and various government agencies.

4. Some of the information that should be included in a loan application package is—

   - type of business to be established
   - experience and management capability of the borrower
   - estimate of investment that is needed
   - current personal financial statement
   - projection of earnings for the business
   - collateral to be offered for the loan

5. *Character* refers to the type of person the borrower is (honest, reliable, etc.).

   Capital is the amount of money that the person has personally invested in the business.

   Capacity relates to the skill and drive of the person in a managerial sense.

   Collateral is the security that the person can offer for the loan.

   Circumstances are factors that affect the loan but that are not under the control of the borrower.

   Coverage focuses on insurance protection.

ASSESSMENT

Directions: Read the following questions to check your knowledge of these topics. When you feel prepared, ask your instructor to test your competency on them.

1. Identify the major legal issues faced by entrepreneurs.
2. Identify the two major types of contracts used by entrepreneurs.
3. Identify the four types of leases.
4. Identify the major rights and responsibilities of lessees and lessors.
5. Describe the Uniform Commercial Code.
6. Identify special contracts used by entrepreneurs (credit sales contract, long-term sales contract, mortgage, and deed of trust).

MODEL ASSESSMENT RESPONSES

1. Legal questions appear when there are any of the following problems or conditions: form of organization (sole proprietorship, partnership, or corporation); taxes; leases; real estate; delinquent accounts; insurance contracts; estates and wills; purchase agreements; sales contracts; franchises; general contracts and agreements; and formal litigation.

2. Lease and sales contracts are the two most common types of contracts.

3. The four types of leases are (1) tenancy for years, (2) tenancy from month to month, (3) periodic tenancy, and (4) tenancy at will.

4. Rights and Responsibilities of Lessees:

   a. Payment of rent
   b. Use of the property as specified in lease
   c. Maintain reasonable repairs or inform property owner of need to repair
   d. Liability and injury to a third party
   e. Assignment and subletting

   Rights and Responsibilities of Lessors:

   a. Right to collect rent
   b. Right to enter for inspection or protection if specified in the lease
   c. Property repair if specified in lease
   d. Taxes

5. The Uniform Commercial Code relates to commercial or business transactions regarding personal property and contracts. It contains detailed rules of conduct for business people.

6. Special Contracts:

   a. Credit sales contract: the purchase of goods on credit
   b. Long-term sales contracts: refers to the sale of goods or services over a long time period
   c. Mortgage: refers to placing property as security for a loan
   d. Deed of trust: when an entrepreneur borrows money using real property as collateral, the holder of the deed of trust lends the money and has the power to sell the property if payment is not made

ASSESSMENT

Directions: Read the following items to check your own knowledge of these topics. When you feel prepared, ask your instructor to test you on them.

1. List and briefly explain three reasons why government regulations are important to the owners of a small business.

2. Government regulations provide protection to four major areas of our society. Name these areas and briefly explain the types of protection provided in each area.

3. Licenses and permits may be required for your business. What are some of the more common licenses and permits required by government?

4. Federal, state, and local governments require the collection and payment of several taxes. For each of the three levels of government, list at least four taxes that are the responsibility of small business owners.

5. Prepare a list of government agencies that can provide assistance in complying with government regulations. The list should include at least two agencies from each of the three levels of government.

MODEL ASSESSMENT RESPONSES

1. Purpose of regulations. Regulations are passed to protect and promote a healthy society and strong business community.

   Source of regulations. Governments at all levels pass regulations. The federal government is responsible for regulating business between the states. States, counties, and cities are responsible for regulating business activity within their respective boundaries.

   Impact on small business. Some regulations are designed to protect the small business. However, the most evident impact is an increased cost and paperwork burden.

2. Protection of competition. Regulations in this area are concerned with preventing the growth of monopolies and controlling unfair business practices. Actions which tend to restrain trade or promote price discrimination, tied contracts, and interlocking directorates are examples of items addressed by these regulations.

   Protection of employees. Regulations in this area are concerned with maintaining the health, safety, and economic well-being of workers. The government has set standards of health and safety for the work place and enforces these standards through inspections. Workers' economic well-being is protected by minimum wage, worker's compensation, and Social Security laws.

   Protection of consumers. Regulations in this area are concerned with unfair business practices and the safety of products. Business persons are responsible for the safety of the consumers of their products. Consumers also have the right to be informed, in language they understand, about the care and use of products.

   Protection of environment. Regulations in this area are concerned with maintaining a healthy environment. Clean air, water, and the safe disposal of wastes are covered by these regulations.

3. The following licenses and permits may be mentioned: Federal Communications Commission licenses, Civil Aeronautics Board licenses, Board of Health permits, and building permits.

4. Federal taxes. Corporate and individual income, excise, employment, Social Security, and customs.

   State taxes. Corporate and individual income, gross receipts and sales, capital stock, incorporation, and employment.

   Local taxes. Sales, income, property, and licenses.

5. Federal. Small Business Administration, Environmental Protection Agency, Federal Trade Commission, Health and Human Services, Department of Commerce, Department of Labor, Internal Revenue Service.

   State. Corporation Commission, State Department of Taxation, State Board of Health.

   Local. Planning Commissions, Tax officials, Police and Fire Departments, Health Department.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency.

1. Identify the five steps in the decision-making process.
2. Apply the decision-making process to the following situation:

   Two types of desks, standard and executive, can be produced by the Okey Company. The profit yield on the standard desk is $20.00 in contrast to that of $50.00 on the executive desk. The company can produce a maximum of 600 desks a month. Problem: Which desks should be produced?

3. Distinguish between short-term and long-term planning.
4. Identify devices that are available to the manager during the planning process.
5. Name the three elements of a business that must be organized to promote its smooth operation.
6. Identify three basic activities involved in the control process.
7. Explain why time management is so important in managing a business.

MODEL ASSESSMENT RESPONSES

1. The decision-making process is a fundamental management skill and is composed of five steps: (a) identifying the problem, (b) looking for alternatives, (c) gathering facts about alternatives, (d) evaluating alternatives, and (e) formulating a plan of action.

2. The response should reflect an understanding of the five steps in the decision-making process listed above.

3. Short-term plans describe goals and objectives that can be realized in days or weeks. Long-term plans are designed to achieve objectives over a period of months or years.

4. Planning devices include budgets, schedules, standards, policies, and procedures.

5. The process of organizing will involve three elements: division of work, the facilities, and the workers.

6. The control process involves (a) establishing standards (the planning process), (b) comparing performance against these standards, and (c) taking corrective action if needed.

7. Effective time management will enable a manager to operate a business more efficiently and thus improve his or her chances of success.

ASSESSMENT

Directions: Read the following questions concerning managing human resources. They are provided for you to check your knowledge about this topic. When you feel ready, ask your instructor to assess your knowledge of them.

1. Identify the steps involved in hiring employees.

2. Describe the procedures for developing a training program.

3. Explain the various styles of management.

4. Describe various techniques that may be used to supervise and motivate employees.

5. Describe various methods for communicating with employees.

6. Discuss various alternatives for evaluating employee performance.

7. Identify the steps in developing a comprehensive employee compensation package.

MODEL ASSESSMENT RESPONSES

1. a. Job analysis
   b. Job description
   c. Recruiting
   d. Interview

2. Students should include answers to the following questions:

   a. What is the goal of the training?
   b. What does the employee need to learn?
   c. What type of training is needed?
   d. What method of instruction will you use?
   e. What audiovisual aids will you use?
   f. What physical facilities will you need?
   g. What about the timing?
   h. Who will be selected as instructor?
   i. What materials should be selected?
   j. What will the program cost?
   k. What checks or controls will you use?
   l. How should the program be publicized?

3. The autocratic manager tells employees how to do a job, and if necessary threatens employees. Sometimes the autocrat tells and explains, using positive reinforcement if the employee deserves it. The democratic manager explains the job to the employee, but allows him or her to make decisions concerning how to do it.

4. a. Emphasize skills, not rules.
   b. Set high standards for yourself and subordinates.
   c. Know your subordinates and try to determine what is important to each.
   d. Listen thoughtfully and objectively.
   e. Be considerate and courteous.
   f. Be consistent in your behavior and mood.
   g. Give directions in terms of suggestions or requests.
   h. Delegate responsibility to subordinates when appropriate.
   i. Have faith in your employees and show them you expect the best.
   j. Keep your employees informed about the business.
   k. Ask employees for their suggestions and ideas—then listen carefully.
   l. Give employees, when possible, a chance to take part in decisions.
   m. Make your employees feel important and valued.
   n. Inform your subordinates of their progress or lack of it in a positive way.
   o. Offer constructive criticism in private.
   p. Praise your employees in public.
   q. Set a good example yourself.
   r. Be able to accept constructive criticism yourself.
   s. Be understanding with employee problems.
   t. Allow employees freedom when it produces positive results.

5. Company handbook
   Newsletters
   Interoffice memos

6. Develop an evaluation form
   Establish an evaluation schedule
   Involve the employee in his or her evaluation

7. The steps are:

   a. Defining the jobs: this is done with the job description.
   b. Evaluating the jobs: this means ranking the jobs by difficulty and responsibility.
   c. Pricing the jobs: this can be done by seeing what the going rate is outside the firm.
   d. Installing the plan: this means determine how the plan will be administered to provide for individual pay increases.
   e. Communicating the plan to employees: this may be done through personal letters or a meeting.
   f. Appraising employee performance under the plan: this provides input for updating and improving the plan.

ASSESSMENT

Directions: Read the following assessment questions to check your knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. List the three parts of a promotional objective and develop one example of an objective.
2. Discuss the strengths of four advertising media.
3. Differentiate between consumer and trade sales promotion methods and give two examples of each.
4. Illustrate how per person costs for alternative promotional methods should be determined and used in promotional planning.
5. Evaluate the advantages and disadvantages of an advertising agency to a small business.
6. List ten activities that a small business could include in a public relations program and describe why each activity would be valuable.

MODEL ASSESSMENT RESPONSES

1. • The people to be informed.
   • The change or action expected from the consumer.
   • A standard to measure effectiveness of promotion.
   (Several examples of objectives are given in the unit.)

2. Newspaper—wide readership, low cost, flexible
   Television—large audience, sound and movement
   Radio—local, flexible, low cost
   Direct mail—can reach specific people with a brief or lengthy message
   (Others are listed in the unit.)

3. Consumer sales promotion is directed to the final purchaser through items such as trading stamps and coupons.

   Trade promotion is directed to resellers and is designed to encourage the reseller to handle the product through incentives such as advertising allowances and push money.

4. Divide the number of persons exposed to the promotion by the total cost of the promotion. After the per person cost is determined, the audience of each method should be analyzed to see how much of the total audience is a part of the business market.

5. The agency can provide a variety of planning, development, and research services for the business as well as assistance in placing ads in the media. The cost may be partially paid through commissions charged to the media by the agency. However, the agency may still be expensive and may not have much experience with small businesses.

6. Many public relations activities are described in the unit. Others could also be listed. Justifications should relate to an improved image for the business within the community.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Name five different types of customers based on types of personalities. Describe each type and provide some suggestions on how a salesperson might successfully handle each type.

2. Discuss why it is important for a salesperson to possess complete knowledge about the products or services he/she sells.

3. Presentation is a very important part of the sales process. Discuss some of the positive and negative characteristics of an effective sales presentation.

4. Define prospecting. What are some of the sources available for finding new prospects?

MODEL ASSESSMENT RESPONSES

1. The response should include some of the following information.

TYPE OF CUSTOMER	Browsing (casual) customers
HOW TO RECOGNIZE	a. Say they are just looking. b. Move slowly and finger merchandise. c. Often move away when approached. d. May buy on impulse.
HOW TO HANDLE	a. Be pleasant and welcome to look. b. Don't pressure. c. Invite back to store, even if the customers don't buy.
TYPE OF CUSTOMER	Talkative (friendly) customers
HOW TO RECOGNIZE	a. Are friendly, jovial. b. Like to talk and gossip. c. Apt to discuss personal matters. d. Will hold up other customers.
HOW TO HANDLE	a. Listen. b. Don't become personal. c. Don't gossip. d. Bring back to topic of merchandise. e. Don't get impatient.
TYPE OF CUSTOMER	Silent (unfriendly) customers
HOW TO RECOGNIZE	a. Are not positive in nature. b. Are not enthusiastic. c. Talk very little.
HOW TO HANDLE	a. Don't talk too much. b. Watch their actions. c. Demonstrate merchandise. d. Give selling points slowly. e. Be patient. f. Ask questions with a "yes" or "no" answer.
TYPE OF CUSTOMER	Undecided customers
HOW TO RECOGNIZE	a. Continually change their minds. b. Are afraid of not getting their money's worth. c. Often will go home to think about it. d. Don't know merchandise.
HOW TO HANDLE	a. Help customers decide. b. Stress economy and quality. c. Be firm and convincing. d. Show a variety of merchandise, one item at a time. e. Look for signs of interest.

TYPE OF CUSTOMER	Decided (deliberate/positive) customers
HOW TO RECOGNIZE	a. Know what they want. b. Are businesslike in nature. c. Are direct in manner. d. Ask for specific items.
HOW TO HANDLE	a. Show merchandise quickly. b. Give selling points in direct, businesslike manner. c. Let customers do the talking. d. Use caution in suggesting substitutes.

TYPE OF CUSTOMER	Hurried, nervous, impatient customers
HOW TO RECOGNIZE	a. Quick and abrupt. b. Act nervous. c. Demand attention quickly. d. Often talk fast and loud.
HOW TO HANDLE	a. Serve promptly. b. Sympathize with their problems. c. Be alert—act quickly. d. Use caution in suggesting substitutes. e. Cover steps of a sale as soon as possible.

2. It is the responsibility of every salesperson to develop and maintain merchandise expertise in order to effectively communicate with customers. Customers usually have questions and the salesperson should be in a position to provide the product/service information the customer needs. This will aid in the customer making a wise buying decision.

   Having product or service knowledge is becoming more essential because products and services are becoming more complex and customers are better educated and more demanding. It is important for a salesperson to possess complete knowledge about the product or service in order to make effective sales presentations. Successful salespeople know their merchandise thoroughly before they make a sales presentation. When you are selling expensive, complicated, and technical products, complete knowledge of the merchandise is invaluable.

3. Presentation is a very important part of the sales process. Discuss some of the positive and negative characteristics of an effective sales presentation.

   Your response should have included some of the following information:

   DO:

   a. Present the product/service promptly and stress values and benefits.

   b. Determine the interests of the customer and know why customers buy your product.

   c. Involve the customer and appeal to several senses in the presentation.

   d. Know yourself, your customers, your store, and understand what your goods and services can do for the customer.

DON'T:

a. Stress price and confuse the customer by showing too many items at once.

b. Start at an extremely low or high price if no price preference is stated by the customer.

c. Forget the buying motives of your customer.

d. Rush the customer.

e. Push your personal preferences onto the customer, even if an opinion is asked.

4. Prospecting is the process of replacing or adding new sales contacts to one list of customers. Sources available for finding new prospects include:

a. joining organizations

b. making contact with people who do business with your type of customers

c. getting additional prospects from current customers

d. surveying public references

e. canvassing door-to-door

f. reading directories and trade registers

ASSESSMENT

Directions: Read the following questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify sources of assistance for keeping the business records.
2. What types of data can be provided through business records?
3. What is a journal?
4. What is a ledger?
5. Specify the types of payroll information that the small business owner/manager will need to keep.
6. Describe the following types of journals:
   - daily sales and cash summary
   - accounts receivable
   - accounts payable
7. Define the term "inventory".

MODEL ASSESSMENT RESPONSES

1. Sources of assistance for recordkeeping include: having an employee keep the records, or hiring a full-time bookkeeper or an accounting firm. Suppliers or trade associations can provide sample accounting records. In addition, simplified recordkeeping books can be found in local office supply stores. Colleges with business courses might provide assistance or a part-time cooperative vocational education student could be hired to set up and maintain the records. Government agencies also provide assistance.

2. Business records can help you formulate answers to the following questions:

   - How much business are you doing?
   - What are your expenses? Which expenses appear to be too high?
   - What is your gross profit margin; your net profit?
   - How much are you collecting on your charge business?
   - What is the condition of your working capital?
   - How much cash do you have on hand and in the bank?
   - How much do you owe your suppliers?
   - What is your net worth; that is, what is the value of your ownership of the business?
   - What are the trends in your receipts, expenses, profits, and net worth?
   - Is your financial position improving or growing worse?
   - How do your assets compare with what you owe? What is the percentage of return on your investment?
   - How many cents out of each dollar of sales are not profit?

   Business records can also provide you with data needed to compare your firm's current growth rate to that of previous years and to compare the present year's goals with future goals. They can also provide information to compare your business's progress with that of similar businesses.

3. A journal is a record where an original entry is first made or posted. Some of the types of journals are the daily sales and cash summary, accounts receivable, accounts payable, and the payroll register.

4. A ledger is a record that represents a summary or a running account of the income and expenses of the business.

5. Name of employee, Social Security number, number of exemptions, ending date of the pay period, hours worked (if applicable), rate of pay, total wages, deductions (federal income tax, FICA—Social Security, state or local income tax, state disability insurance, plus any other deductions).

6. a. The daily sales and cash summary is a summary of the amount of cash received, charge sales, and collections from accounts receivable (money owed to the business from credit transactions) for a particular day.

   b. The accounts receivable journal is a record of how much is owed to the business by credit customers.

   c. The accounts payable journal is a record of amounts the business owes others for cash items such as inventory purchases, repair services, and taxes due from payroll.

7. Inventory is the raw materials (goods to be resold, parts, shop and office supplies, and machinery and equipment) needed by the business to perform its functions.

ASSESSMENT

Directions: Read the following assessment questions. When you feel prepared to respond to them, ask your instructor to assess your competency on them.

1. List three important functions of financial management.
2. Identify the time span within which current assets are expected to be converted into cash.
3. Identify the realistic value that should be placed upon fixed assets.
4. List three examples of intangible assets.
5. Identify the time period within which a current liability matures (or comes due).
6. Describe how gross margin is computed.
7. Differentiate between selling expenses and operating expenses.
8. List three different entries that would be recorded on a manufacturer's profit and loss statement.
9. Describe how a cash forecast can be prepared.
10. List three different types of depreciation schedules.

MODEL ASSESSMENT RESPONSES

1. Financial management is involved with the functions of (a) analyzing the components of the balance sheet and profit and loss statements, (b) determining cash flow needs, and (c) computing break-even points.

2. Current assets should be able to be converted into cash within twelve months.

3. The market value should be the more realistic value placed upon fixed assets.

4. Three examples of intangible assets are (a) goodwill, (b) franchise, and (c) patents and copyrights.

5. A current liability matures or comes due within twelve months.

6. Gross margin is computed by subtracting the cost of goods sold from the net sales.

7. The basic difference between selling and operating expenses is that selling expenses result from activities performed to increase the sales volume. Operating expenses are incurred in the general operation and administration of the business.

8. Three different entries on a manufacturer's profit and loss statement are (a) raw materials, (b) direct labor, and (c) manufacturing overhead.

9. A cash forecast is prepared by determining expected revenues and expenses taking into consideration variations in business seasons, cycles, and needs.

10. Three different types of depreciation are (a) straight line, (b) declining balance, and (c) sum of the years-digits.

ASSESSMENT

Directions: Review the following statements to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify three factors that are used to set credit limits.
2. Explain what types of information you would include in a credit record for an individual customer.
3. Describe how an average accounts receivable collection period can be calculated.
4. Explain how the average accounts receivable collection period can be used to identify credit problems in a business.
5. Describe the format that could be used to design an accounts receivable aging system.
6. Identify and discuss six effective internal collection procedures.
7. Identify and discuss four effective external collection procedures.
8. Identify and discuss attitudinal problems managers have about credit collections.

MODEL ASSESSMENT RESPONSES

1. Three factors upon which the setting of credit limits is based include (a) the required payment period, (b) the customer's past record of payment, and (c) the customer's potential for future payments.

2. Types of information contained in a credit record could be (a) the customer's name, (b) customer address, (c) the maximum credit allowed, (d) the date an item was purchased, (e) the item purchased, (f) the amount of purchase, and (g) the payments received and the outstanding balance.

3. An average accounts receivable collection period can be calculated by dividing the total accounts receivable by the average daily credit sales.

4. The average accounts receivable collection period can be used to determine if this period exceeds the terms of your credit sales. A problem in collections can thereby be identified.

5. An accounts receivable "aging" system format could be designed to divide each customer's account into amounts that are 0-30 days old, 31-60 days old, 61-90 days old, etc.

6. Effective internal credit collections procedures could include (a) proper invoice preparation, (b) wide use of cash discounts, (c) understanding payment terms, (d) meeting special conditions, (e) preparing customer statements, (f) assessing delinquency charges, and (g) maintaining customer follow-up.

7. Four effective external credit collection procedures could include (a) review of outstanding balances, (b) submission of a personal letter with the statement, (c) personal phone calls, and (d) collection agencies and the courts.

8. Common managerial attitudinal problems regarding credit collections involve a reluctance to offend customers and to complete necessary collection and follow-up activities.

ASSESSMENT

Directions: Read the following questions to check your knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Name and explain five low-cost activities that a business can use as precautions against shoplifting losses.
2. Identify the best tool that an entrepreneur can use to detect employee theft.
3. Define vendor theft.
4. Explain the effect that a "no check cashing" policy can have on a business.
5. Explain why it might be a good policy to keep signs and posters out of store windows.
6. Identify factors that an entrepreneur should consider before deciding upon the types of insurance he or she will purchase.

MODEL ASSESSMENT RESPONSES

1. Responses could include descriptions of alert, aggressive selling activities; proper store layout and merchandise display techniques; and efficient check out procedures.

2. The best way to detect employee dishonesty is through personal observation. For example, observe cash register clues such as too many "no sales" or a large number of voids, or observe if an employee is living beyond his or her means.

3. Vendor theft occurs when the delivery person leaves fewer items than are signed for by the employee checking the shipment into the store. Vendor theft occurs because the employee doesn't take time to accurately count the delivery.

4. The risk of loss due to accepting bad checks is eliminated but the business may also lose sales because some customers don't shop where they cannot make purchases by check or credit card.

5. A clear, unobstructed view allows passers-by and the police to keep an eye on the business interior in case of robbery or burglary.

6. Insurance considerations will vary. The type of business and degree of risk the entrepreneur is willing to assume will determine the types of insurance to be purchased.

SELECTED CURRICULUM RESOURCES

Note to Instructor:
See extensive resource lists in the PACE (Revised) *Resource Guide*.

SELECTED CURRICULUM RESOURCES

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Getting Down to Business: Dairy Farming. Module 6.

Getting Down to Business: Bicycle Store. Module 10.

Getting Down to Business: Flower and Plant Store. Module 11.

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Getting Down to Business: Wheelchair Transportation Service. Module 15.

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Getting Down to Business: Home Attendant Service. Module 26.

Getting Down to Business: Guard Service. Module 27.

Getting Down to Business: Pest Control. Module 28.

(Entrepreneurship Training Components continued)

Getting Down to Business: Energy Specialist. Module 29.

Getting Down to Business: Auto Repair Shop. Module 31.

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Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

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